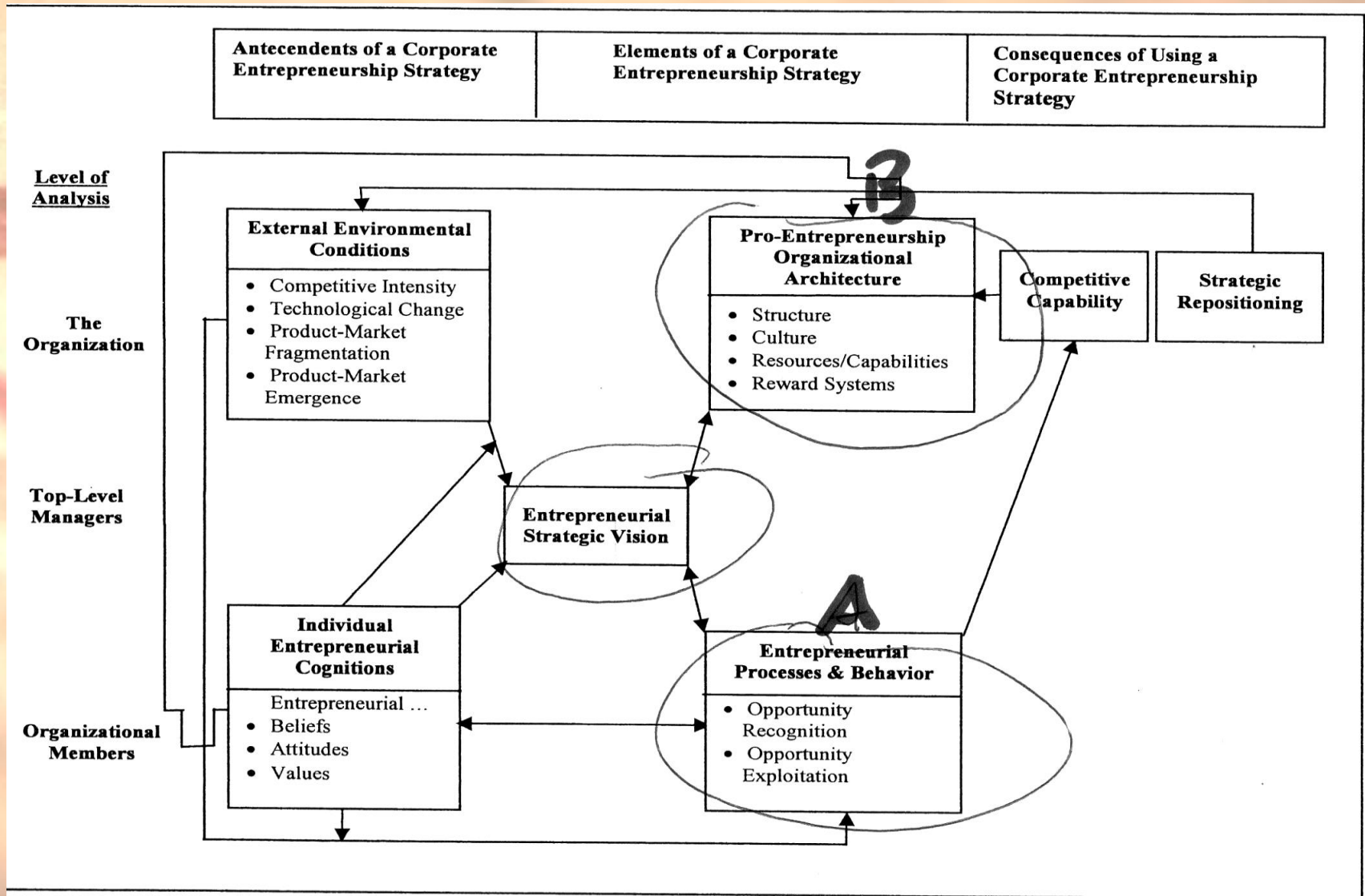


Marketing Strategy & Strategy

Prof. Dr. Jan Kratzer

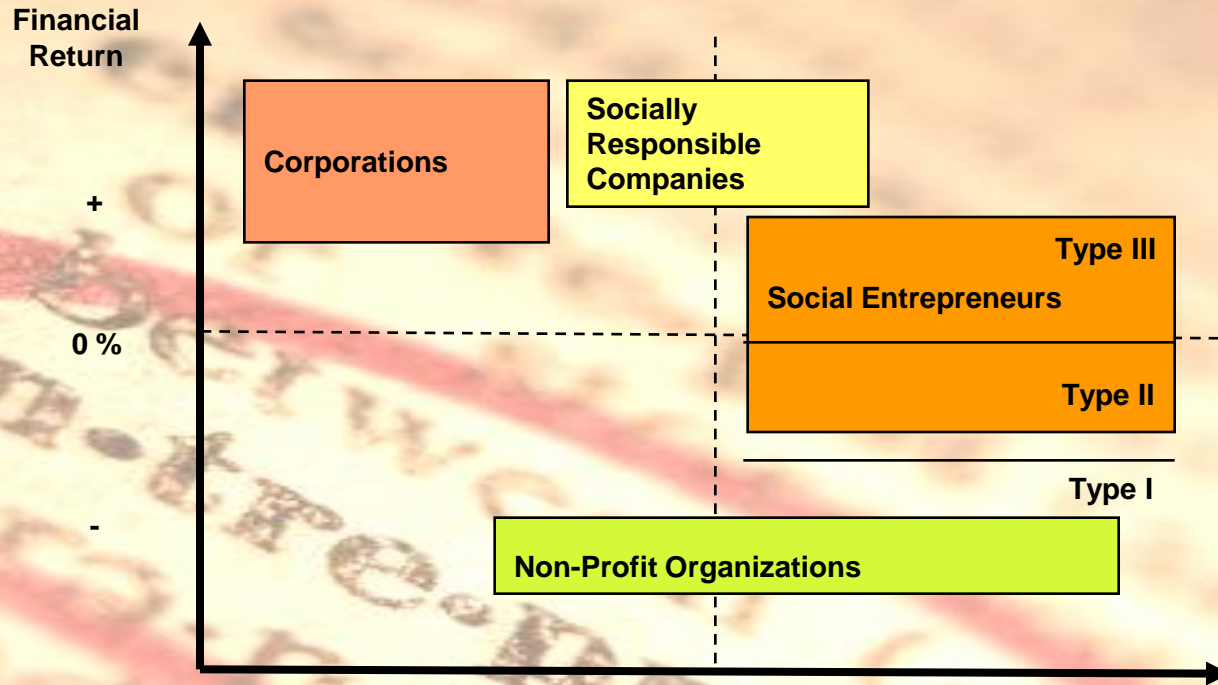
Entrepreneurial Strategy and Vision

- a) Education (1) for consumers on their individual carbon footprint;
(2) for schools by launching a new product called "climate-station"**
- b) Advising consumers on how to turn their homes into "Green Homes"**
- c) Advising small-medium-sized companies on how to become more energy efficient**
- d) Implementing an electric vehicle scheme**
- e) Leveraging grasslands**
- f) Leveraging the heat produced by large datacentres to heat greenhouses**
- g) Leveraging organic waste in African communities.**



Social entrepreneurship

“A process in which resources are used and combined in an innovative and effective manner to resolve social market failures and to bring about and/or foster social change systemically to maximize social impact.”



Source: Schwab Foundation, 2008

exclusively
social goals

Continuum

exclusively
financial goals

Charities		Revenue Generating Social Enterprises			Socially Driven Business	Traditional business
No Trading Revenue	Trading Revenue And Grants	Potentially sustainable - 75%+ trading revenue	Breakeven - All Revenue from Trading	Profitable - Surplus not distributed	Profit distributing - socially driven	Profit Maximizing

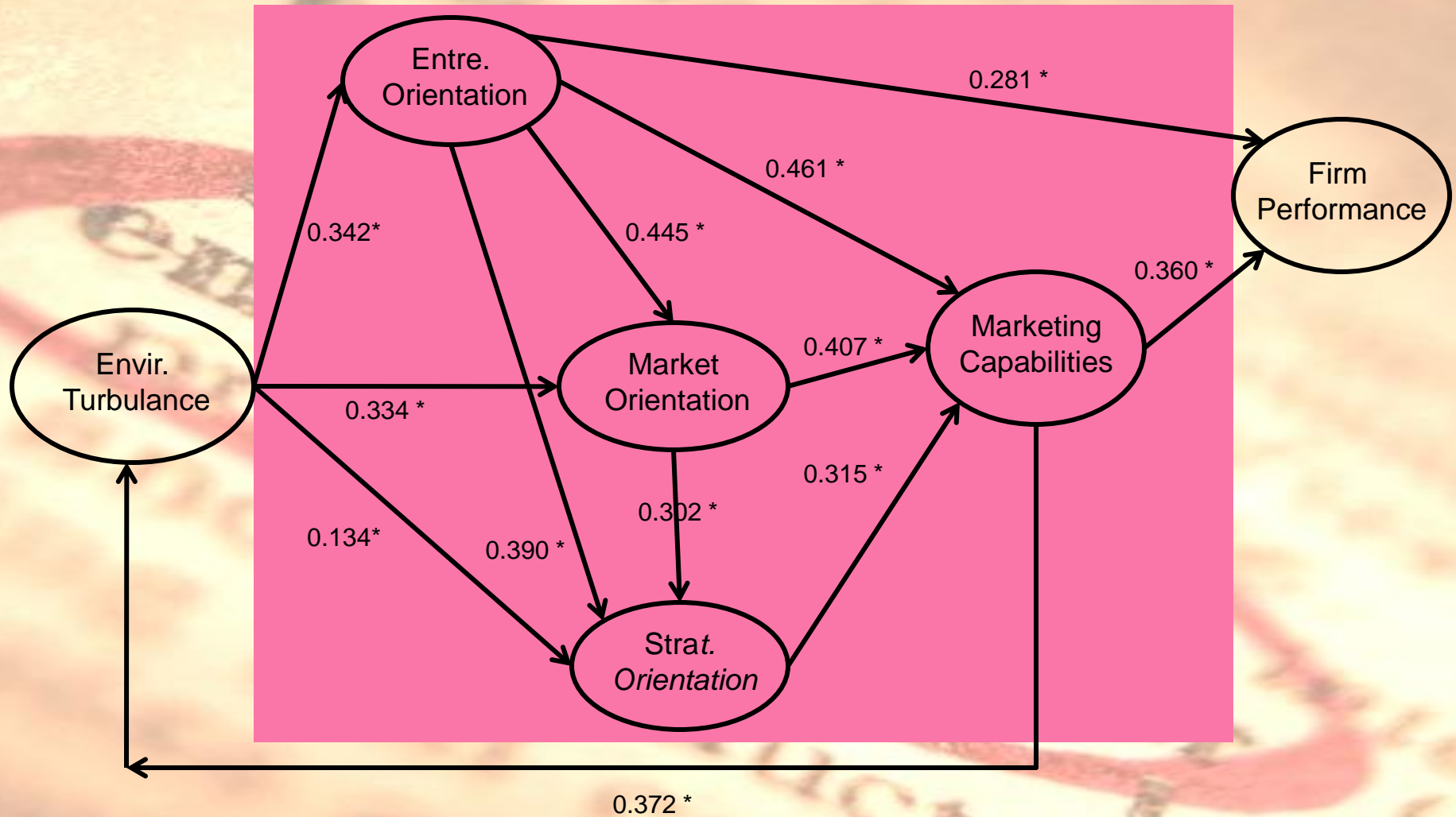
- **Type I Leveraged nonprofit ventures:** entirely depending on third party funding.
- **Type II Hybrid nonprofit ventures:** depend on third party funding but also generate significant revenue through the sale of goods and services and membership fees.
- **Type III Social business ventures:** do not require third party funding but generate profits which are primarily reinvested in the enterprise and the social mission.

Entrapreneurial Process & Behavior: Opportunity Recognition & Opportunity Exploitation

Marketing Capability is thus developed when the firms marketing employees repeatedly apply their knowledge and skills (Intangible resources) to transform marketing inputs to outputs. These intangible resources are often combined with tangible resources and assets.

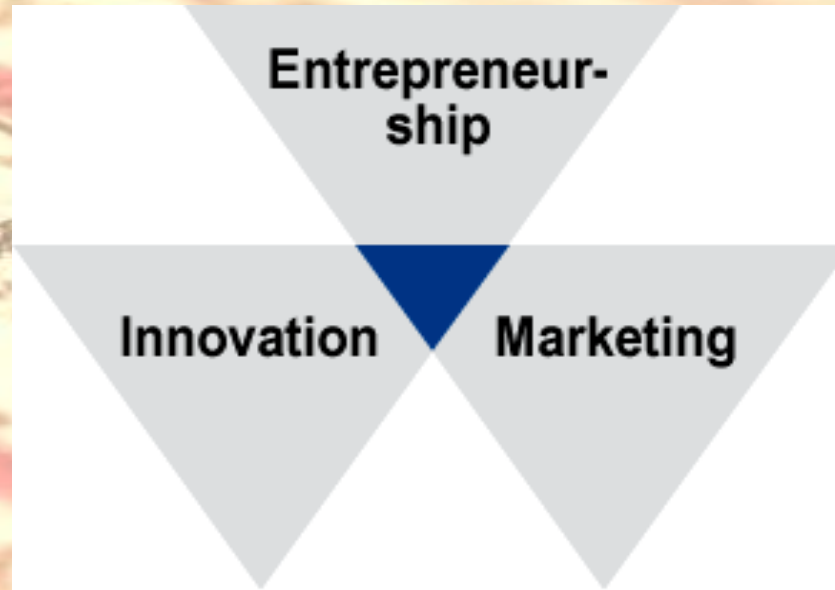
Marketing Capabilities can therefore be defined as integrative processes designed to apply the collective **knowledge, skills, and resources** of the firm to the market related needs of the business, enabling the business to add value to its goods and services and meet competitive threats.

Source: Day, 1994



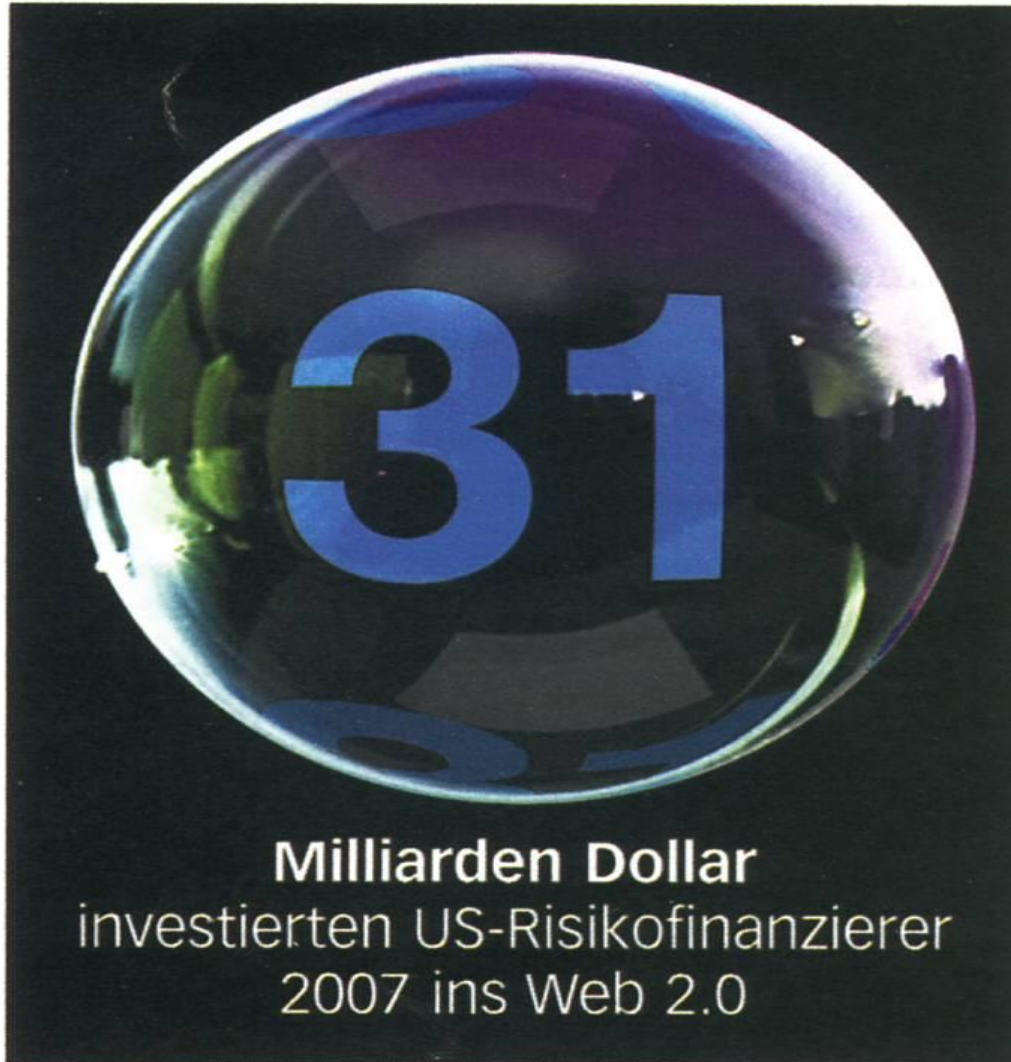
Source: Qureshi, Kratzer, 2010

The Voice of the Customer



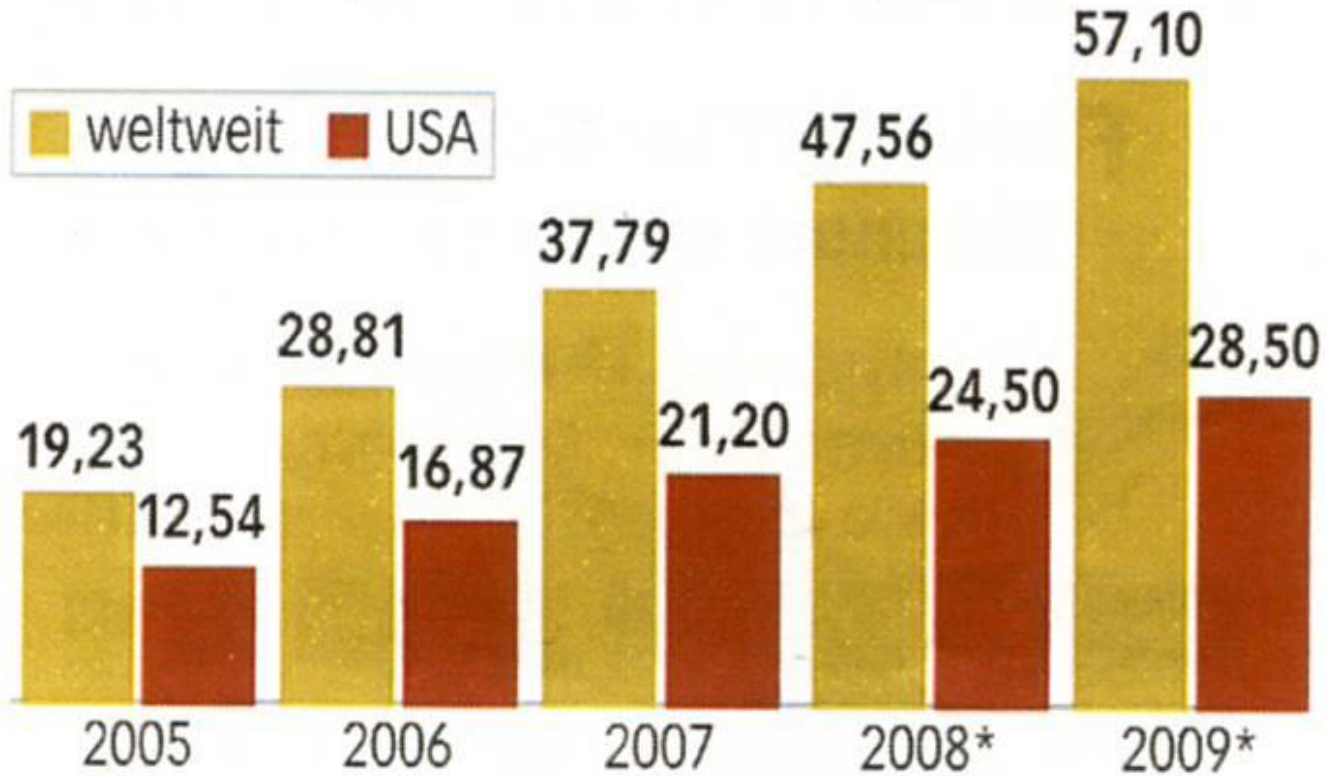


Source: T. O'Reilly, 2005



Source: *Wirtschaftswoche*, 2008

Ausgaben für Internetwerbung (in Milliarden US-Dollar)



* Schätzung; Quelle: IAB, Zenith Optimedia

Source: Wirtschaftswoche, 2008

Fantastische Bewertungen Bekannte soziale Netzwerke

	Kaufpreis/ Bewertung (in Mio. US-Dollar)	Mitglieder (in Millionen)	Umsatz 2008 ⁶ (in Mio. US-Dollar)
facebook	15 000 ¹	120	263
Linked in.	1000 ⁴	30	100
myspace® a place for friends	580 ²	120	800
XING	130 ⁵	6,5	34
studiVZ das StudentenKontaktnetz	85 ³	12	10

¹ Gemessen an den 240 Millionen Dollar, die Microsoft 2007 für 1,6 Prozent der Anteile bezahlte; ² Preis, den NewsCorp. 2005 bezahlte; ³ Preis, den Holtzbrink 2007 bezahlte; ⁴ Bewertung bei der letzten Finanzierungsrunde im Oktober 2008; ⁵ aktueller Börsenwert; ⁶ Schätzung;
Quelle: Unternehmensangaben, Schätzungen

Source: Wirtschaftswoche, 2008

DELL's Island in Second Life



Listening to the voice of customers



Success factors in New Product Development (NPD)

- Team Composition (Cross-functional)
- Team Organization of Work (Planning)
- Team Process (Cross-functional communication)
- Product Effectiveness (Fit with market needs)
- Market (Large/High growth/Low competition)
- Customer (Involvement)
- Supplier (Involvement)

Source: Brown, Eisenhardt, 1995

Customer Roles

Role of the customer	Phase of innovation process
Customer as resource	Conceptualization phase
Customer as creator	Development phase
Customer as user	Commercialization phase

Concepts of customer involvement

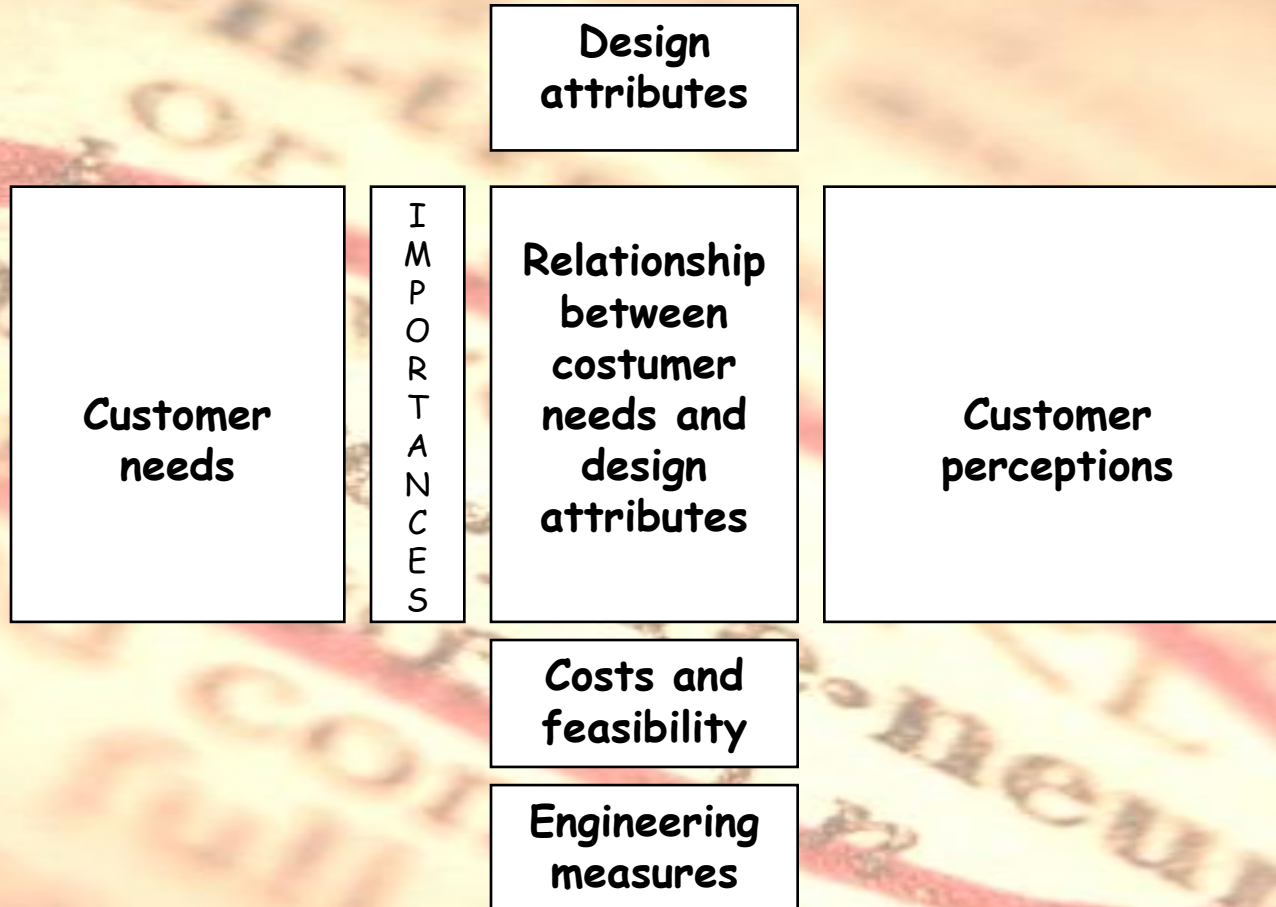
- Total Quality Management (TQM) – Quality Function Deployment (QFD) or the House of Quality
- Beta-testing
- Concept testing
- Consumer idealized design
- Lead user method

1. Quality Function Deployment

“QFD improves communication of all R&D functions by linking the voice of the customer to engineering, manufacturing, and R&D decisions.”

Source: Griffin, Hauser, 1993

The House of Quality from Quality Function Deployment



Source: Griffin, Hauser, 1993

2. Beta-testing

Beta testing can be described as an approach applied in the latter phases of the product design process, and aims to determine if the product does what it is designed to do in the customer environment (Dolan and Matthew, 1993).

Source: Dolan, Matthew, 1993

Beta test purposes

Sales Promotion – Beta Sites

Marketing Mix

Product: Basic Functioning

Source: Dolan, Matthew, 1993

3. Concept testing

Concept testing is an approach that aims to involve customers in the conceptual design phase preferably known as the concept evaluation phase (Page and Rosenbaum, 1992).

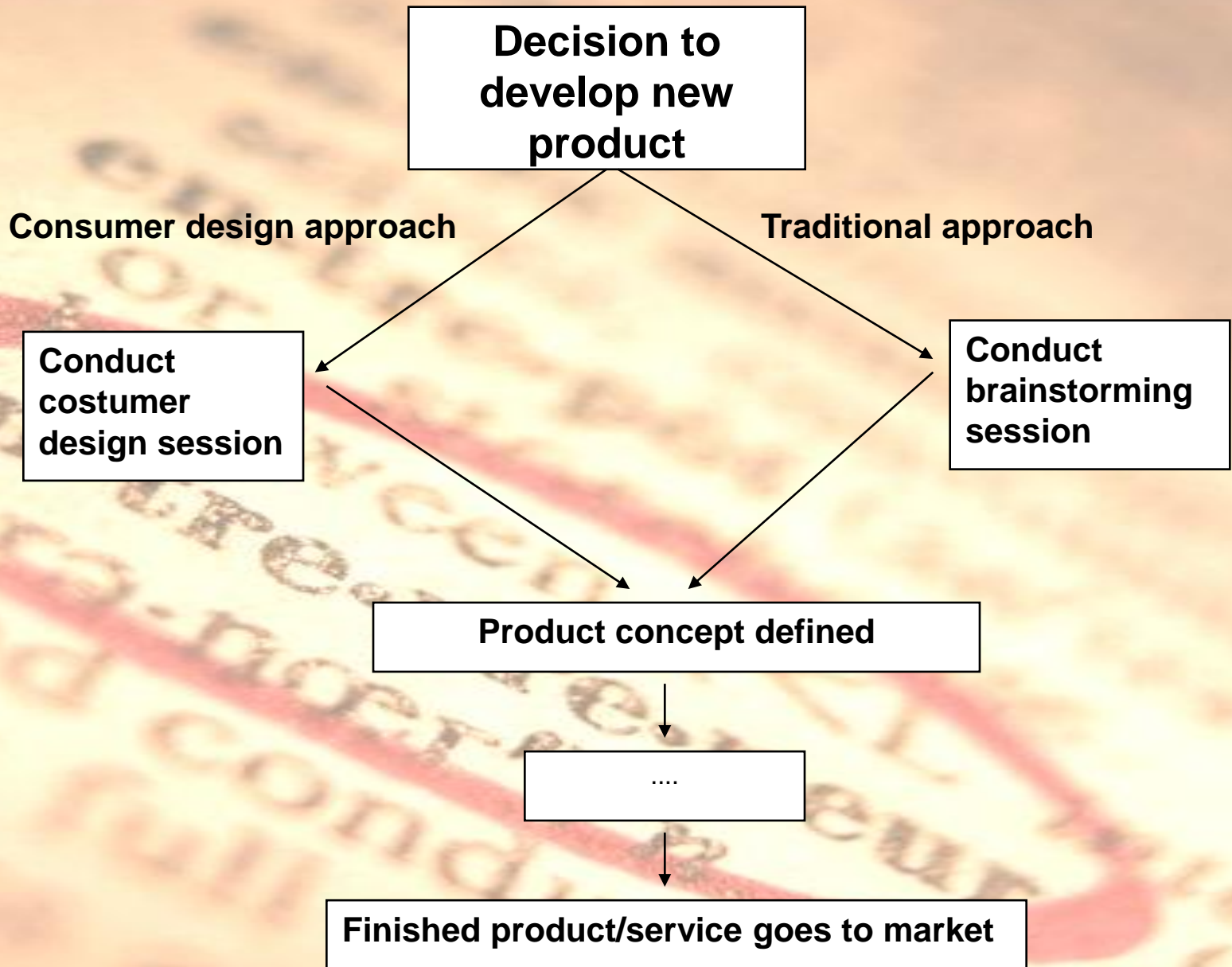
- Concept screening tests (joint space analysis, conjoint analysis)
- Concept generation tests (qualitative phase of concept testing)

Source: Page, Rosenbaum, 1992

4. Consumer idealized design

Consumer idealized design is described as a process for involving consumers in the conceptual phase of product development and focuses on involving users in the early phases of the product design process.

Source: Ciciannelli, Magdison, 1993



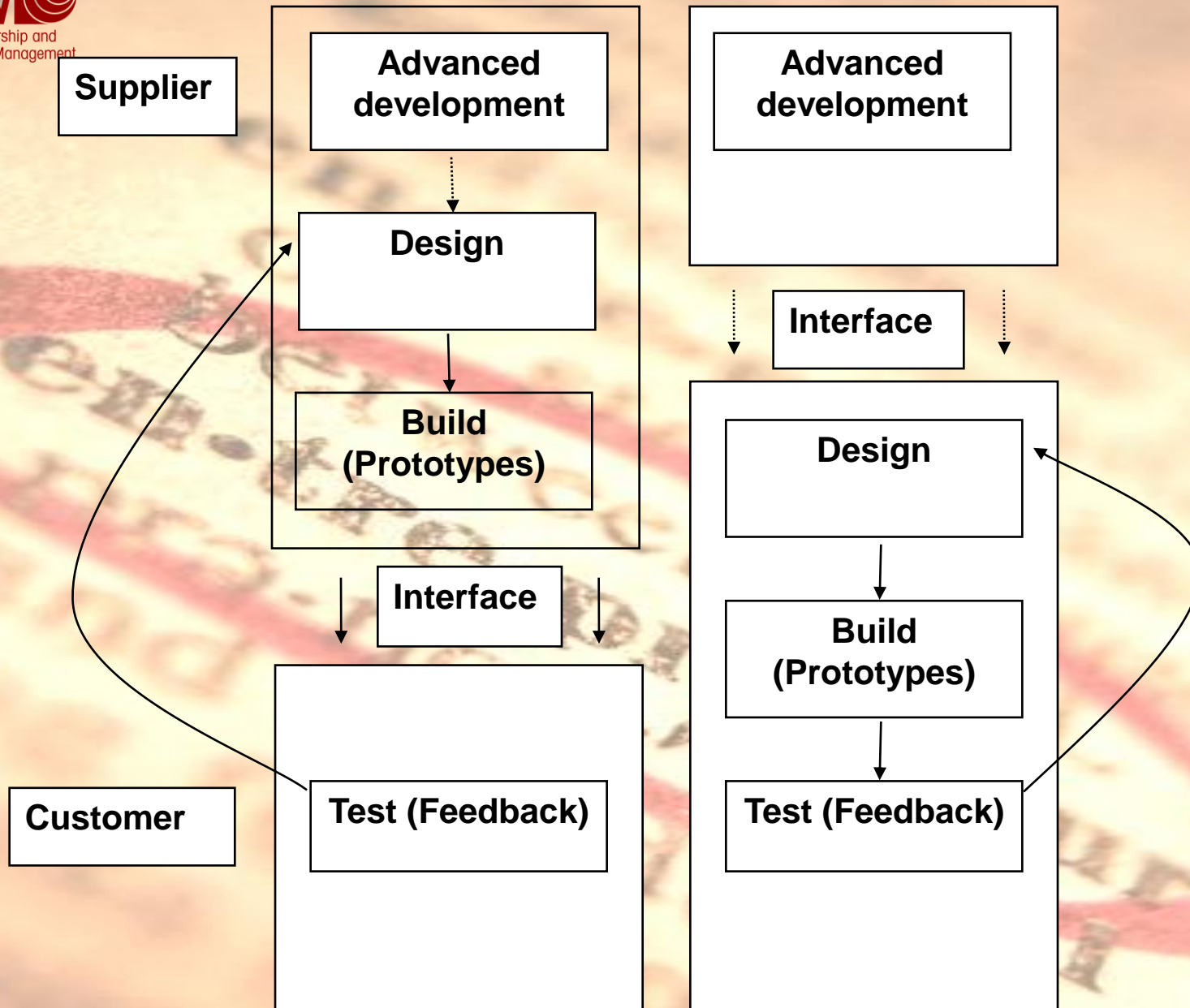
The role of customers – critical voices

- Brainstorming or similar methods are not valid
- Customers are not 'Cocreators' yet
- Supplier and their customers are neglected
- Customers don't know what they want
- The concept of customers is obsolete

- **Social inhibition**
- **Free-riding**
- **Lowering of group standards**
- **Restricted brain capacity**
- **Emerging social structures**

Customers are not 'Co-creators' yet

“R&D has long been a costly and inexact process. Now some companies are trying a radically new approach, giving customers the tools to design and develop their own products.”



Supplier and their customers are neglected

“Although extensive research has focused on integrating customer requirements into new product development efforts, the area of supplier integration has not received as much attention.”

Source: Petersen et al., 2003

Customers don't know what they want

“The irony is that most organizations truly believe that they excel at listening to costumers and delivering on their wishes. Yet when companies give customers what they ask for and fail to see the results they hoped for, executives scratch their heads and conclude that costumers don't really know what they want.”

The concept of customers is obsolete

“The shift away from formal, defined roles is already occurring in business-to-business relationships.”

“Consumers are fundamentally changing the dynamics of the marketplace. The market has become a forum in which consumers play an active role in creating and competing for value.”

Source: Prahalad, Ramaswamy, 2000

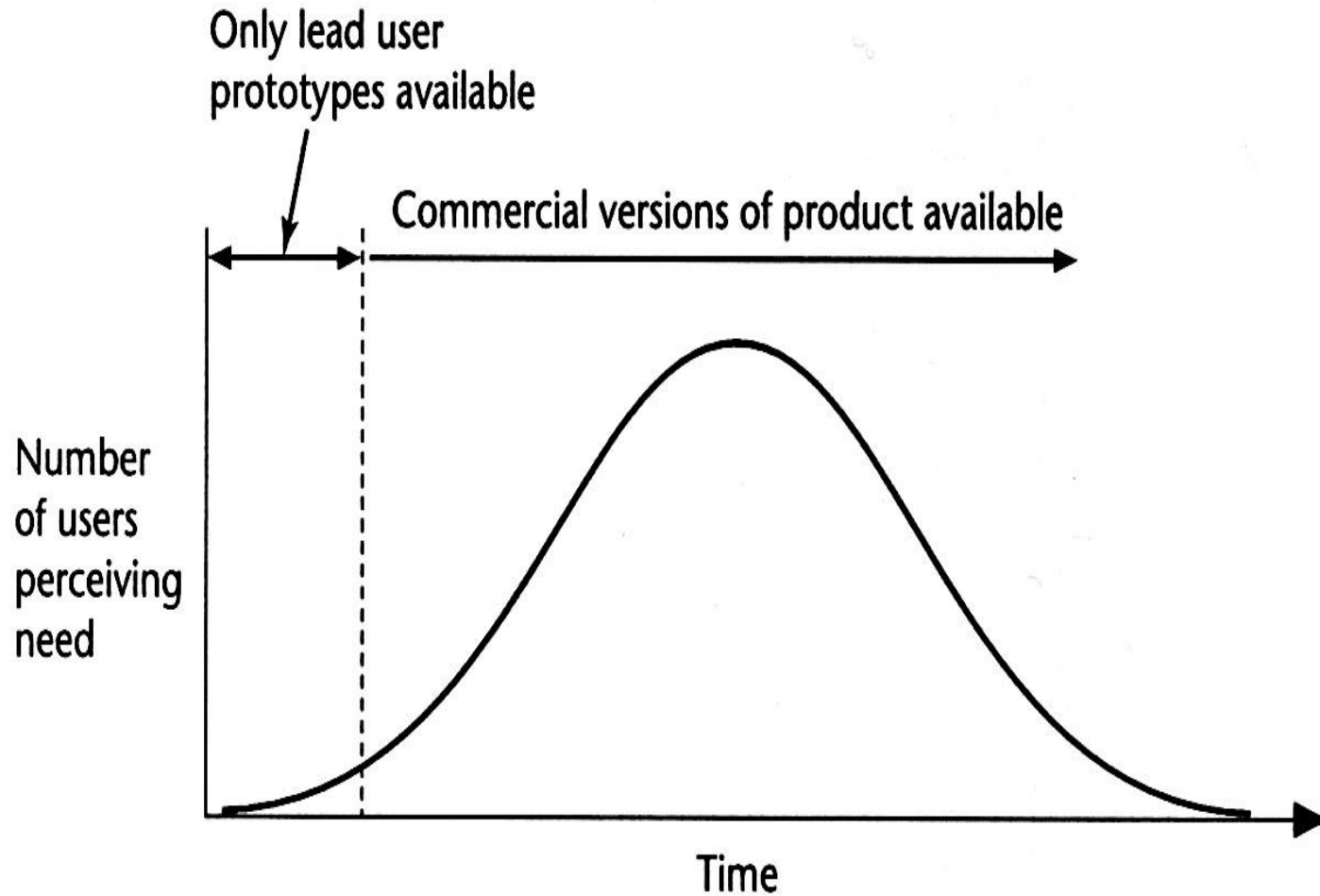
5. Lead user method

This approach is described as a methodology composed of the lead user concept integrated with market research techniques.

Source: Urban, von Hippel, 1988

Four step process:

- Specifying lead user indicators
- Identifying lead user group
- Generating concepts with lead users
- Testing lead user concepts on ordinary users



Source: von Hippel, 1985

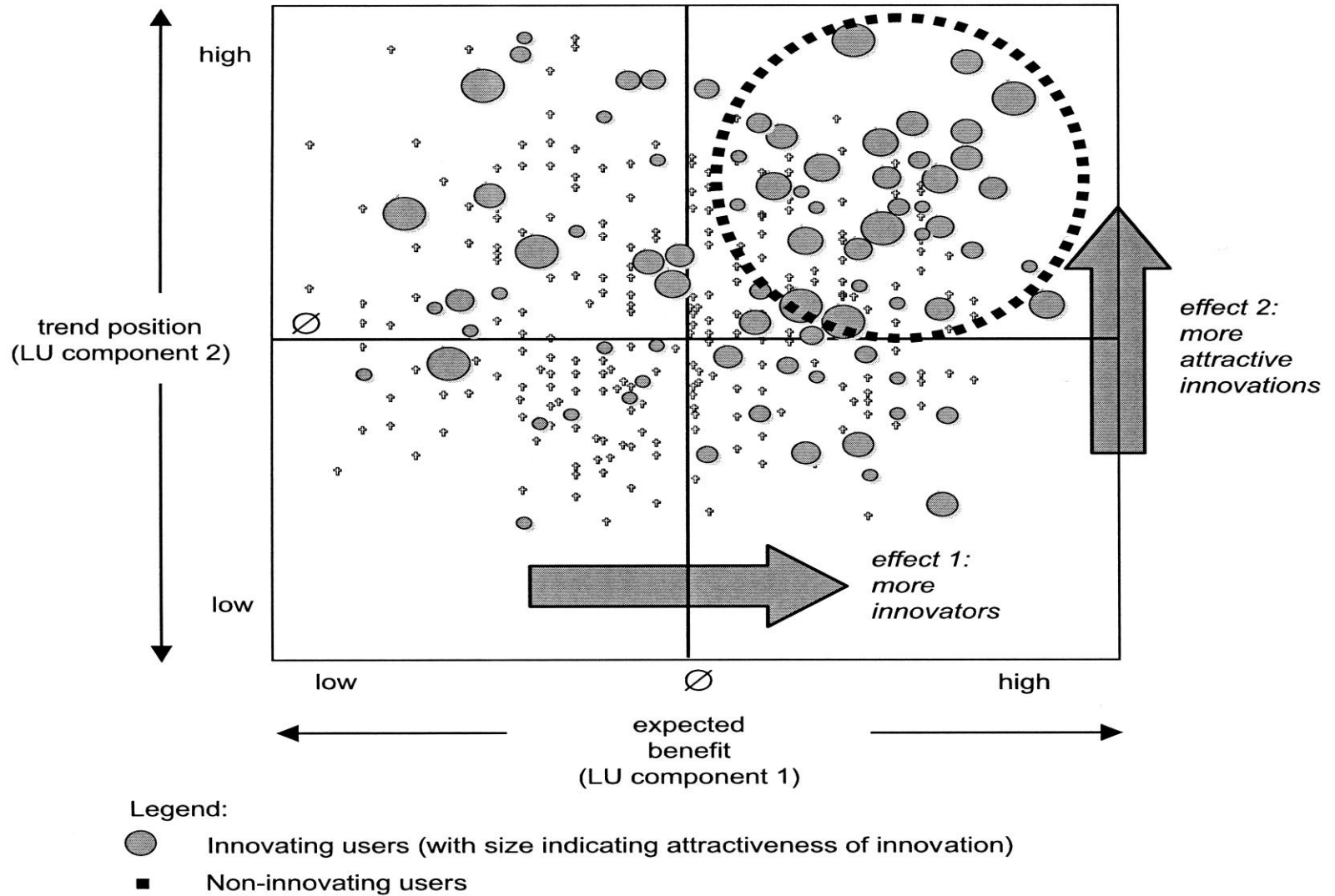
Table 10.1

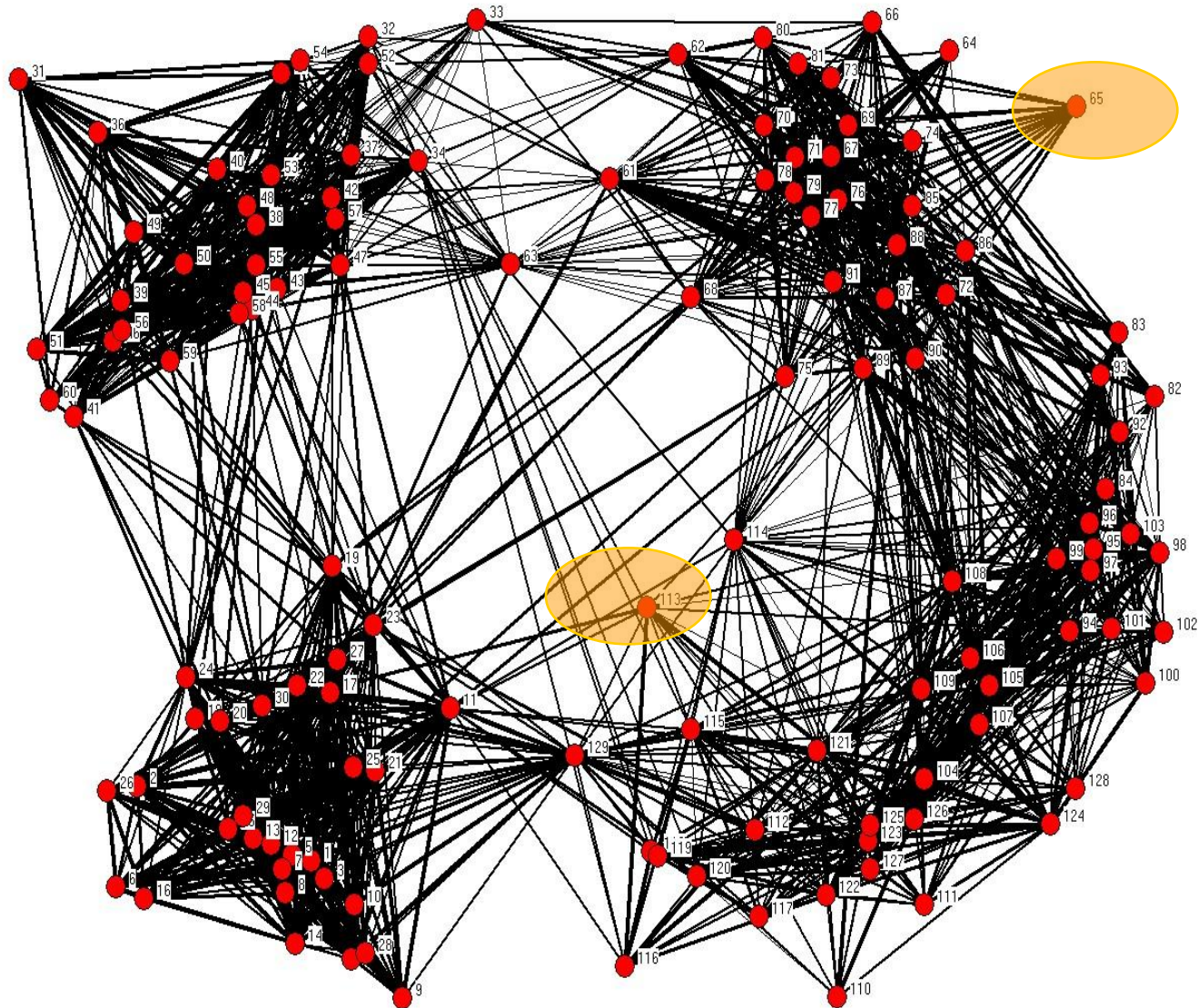
Concepts for new products developed by lead user project teams had far more commercial promise than those developed by non-lead-user project teams.

	LU product concepts (n =5)	Non-LU product concepts (n = 42)	Significance
Factors related to value of concept			
Novelty compared with competition ^a	9.6	6.8	0.01
Originality/newness of customer needs addressed	8.3	5.3	0.09
% market share in year 5	68%	33%	0.01
Estimated sales in year 5 (deflated for forecast error)	\$146m	\$18m	0.00
Potential for entire product family ^a	10.0	7.5	0.03
Operating profit	22%	24.0%	0.70
Probability of success	80%	66%	0.24
Strategic importance ^a	9.6	7.3	0.08
Intellectual property protection ^a	7.1	6.7	0.80
Factors related to organizational fit of concept			
Fit with existing distribution channels ^a	8.8	8.0	0.61
Fit with existing manufacturing capabilities ^a	7.8	6.7	0.92
Fit with existing strategic plan ^a	9.8	8.4	0.24

Table 1. Fraction of users who build solution for own use within different user populations.

Study	Field of innovation	Users sampled (n)	% of users who developed solution for own use
Lüthje (2004)	Equipment for outdoor sports (Germany)	153	10%
Lüthje (2003)	Medical surgery equipment (Germany)	261	22%
Franke and Shah, (2002)	“Extreme” sporting equipment (Germany)	197	38%
Tietz, Morrison, Lüthje and Herstatt (2002)	Kite surfing equipment (Australia)	157	26%
Lüthje, Herstatt and von Hippel, 2002	Mountainbike equipment (USA)	287	19%
Morrison Roberts and von Hippel, 2000	Library information search system OPAC (Australia)	102	18%
Herstatt and von Hippel, 1992	Pipe hangers hardware (Switzerland)	74	36%
Urban and von Hippel, 1988	PC-CAD for the design of printed circuit boards (USA)	136	24%





Source: Kratzer, Lettl, 2009

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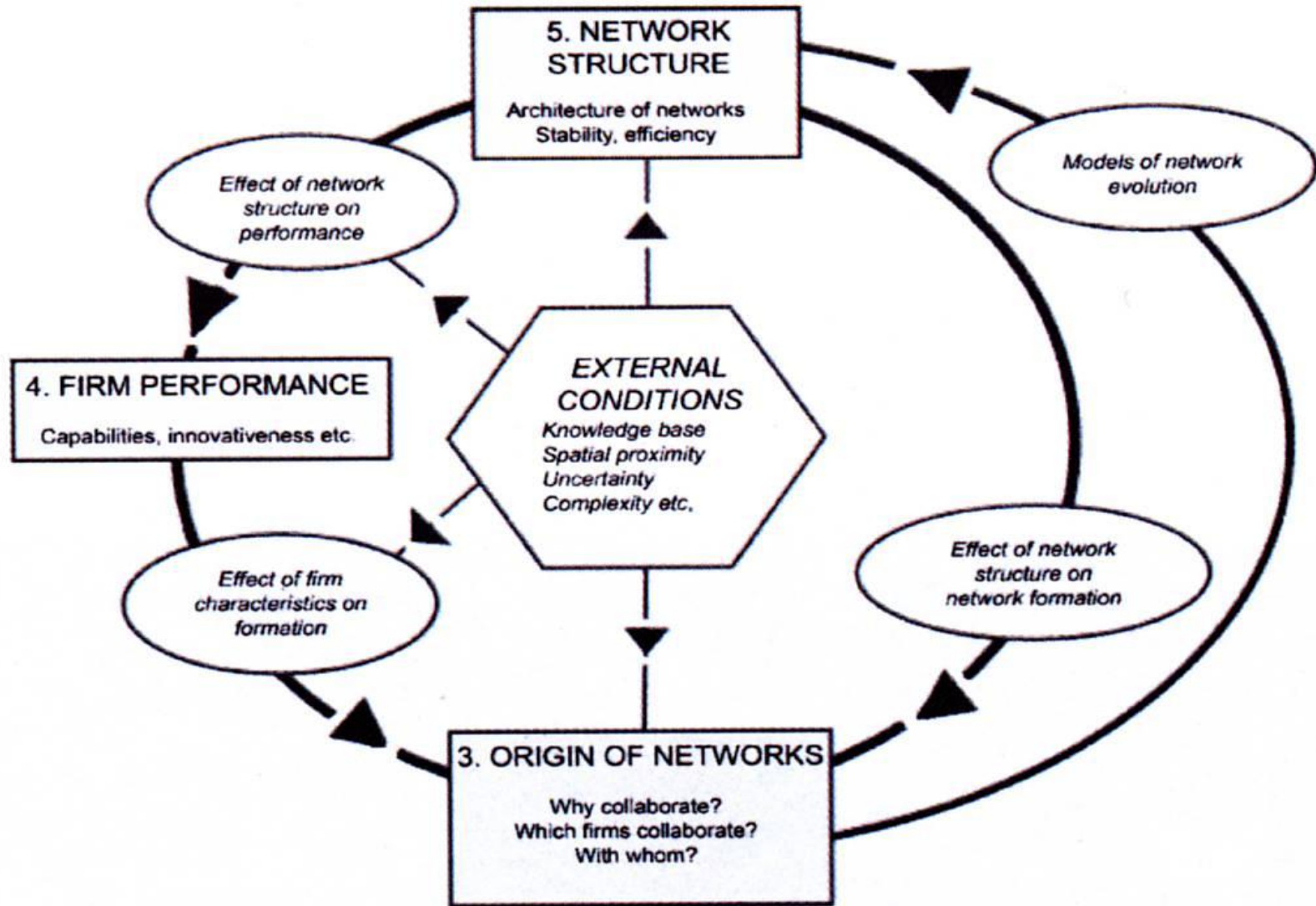
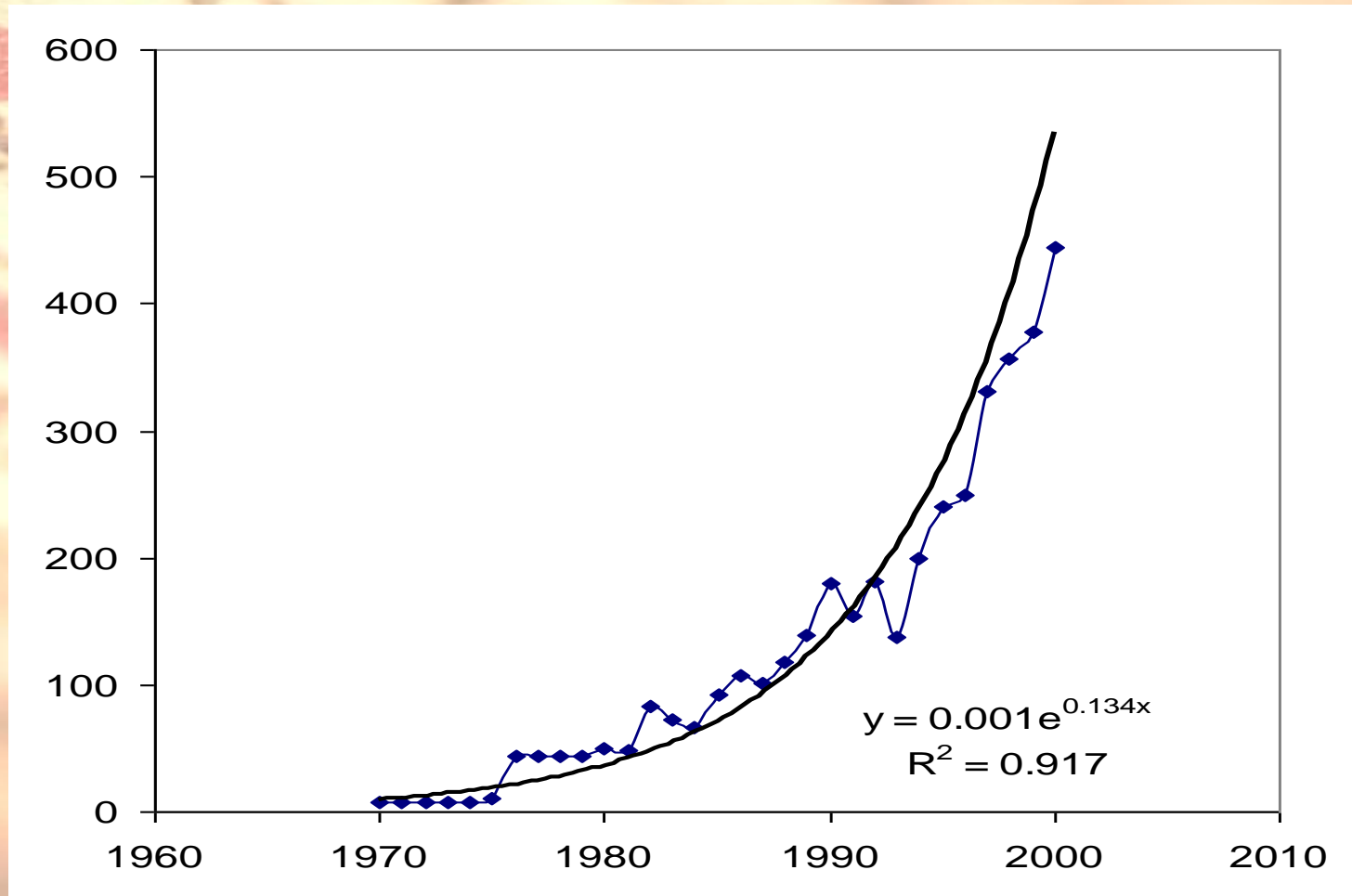
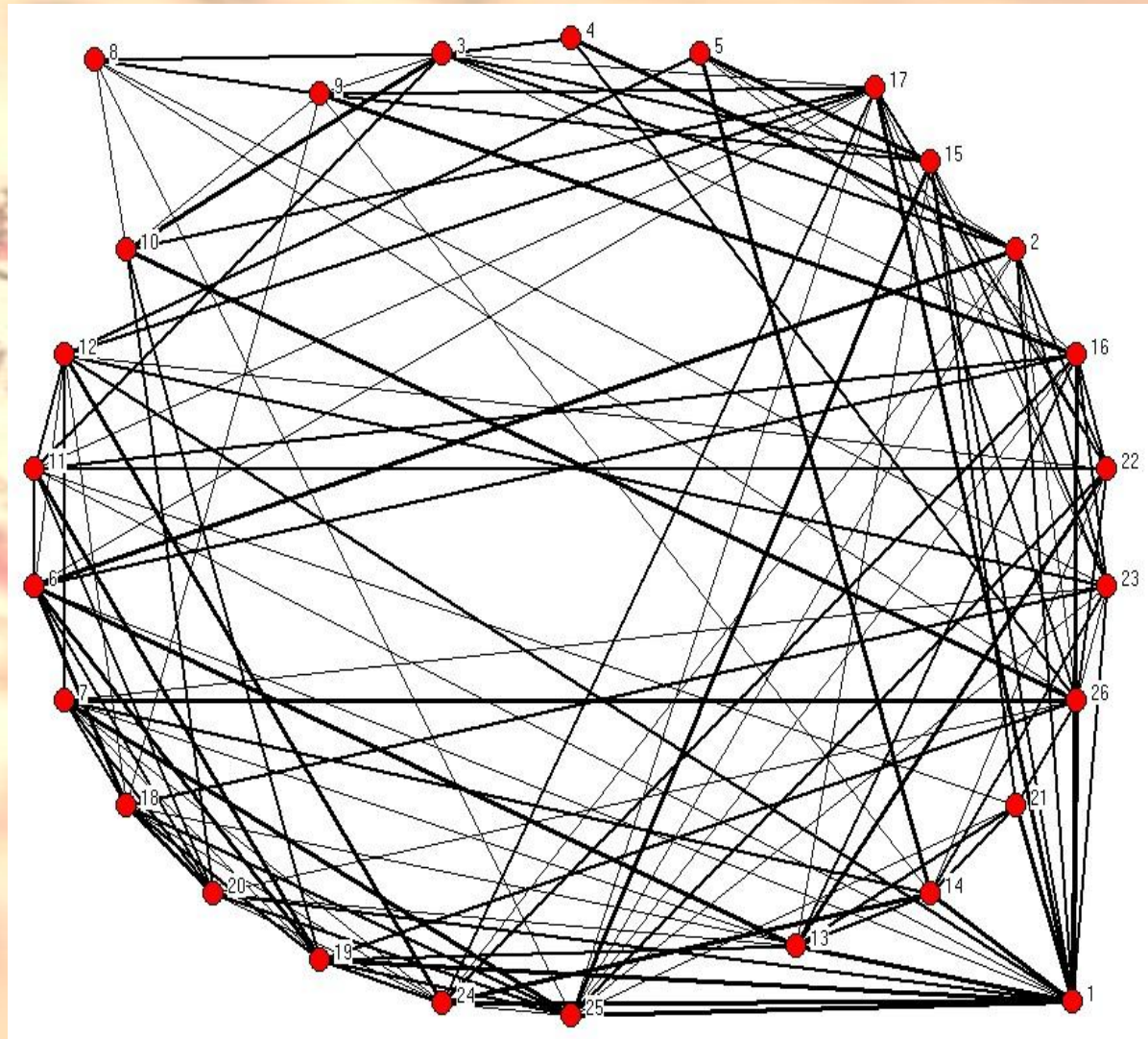


Figure 1. Circular flow diagram of network research.

Exponential growth of publications indexed bstracts containing “social network” in the abstract or title

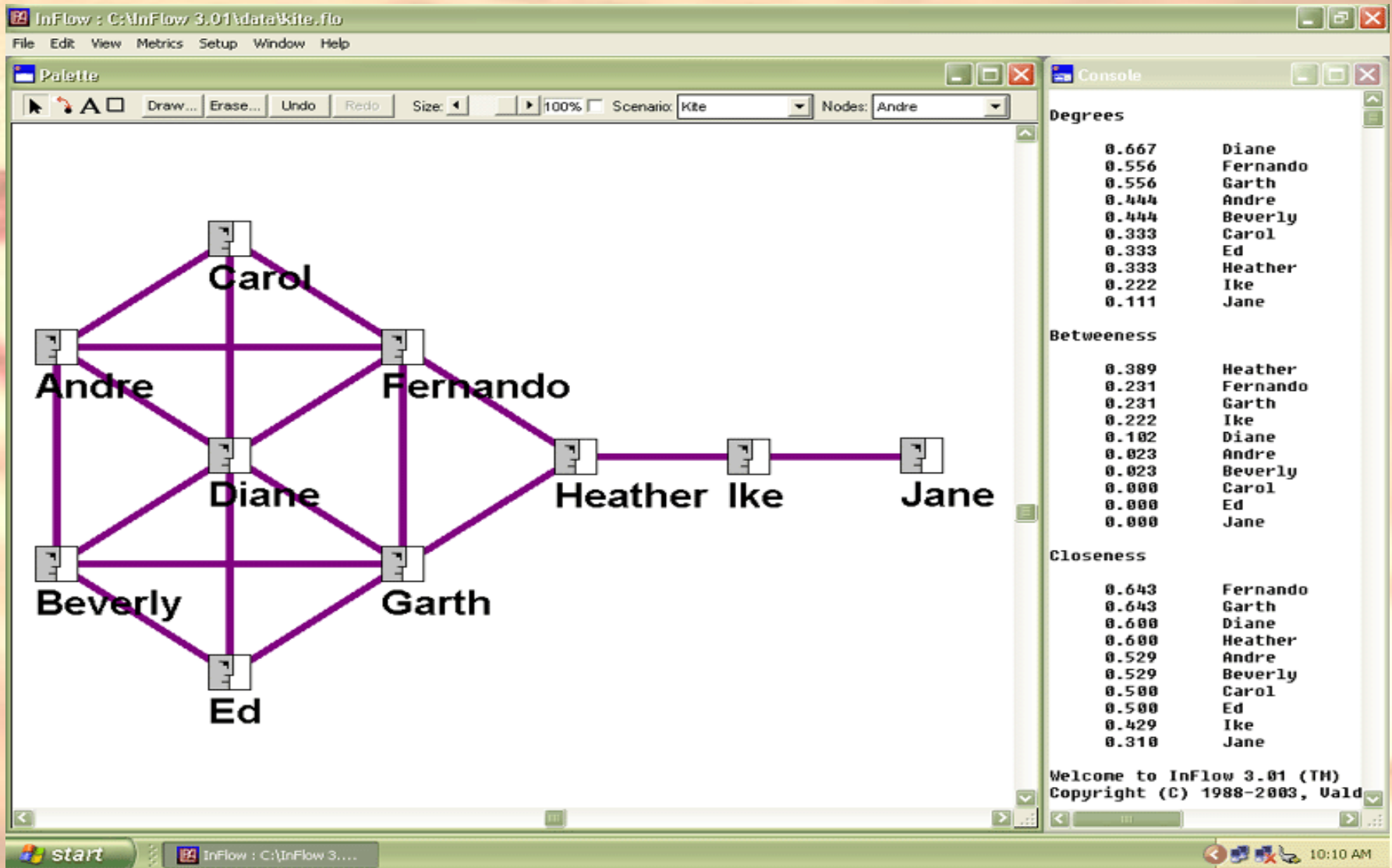


Sociogram



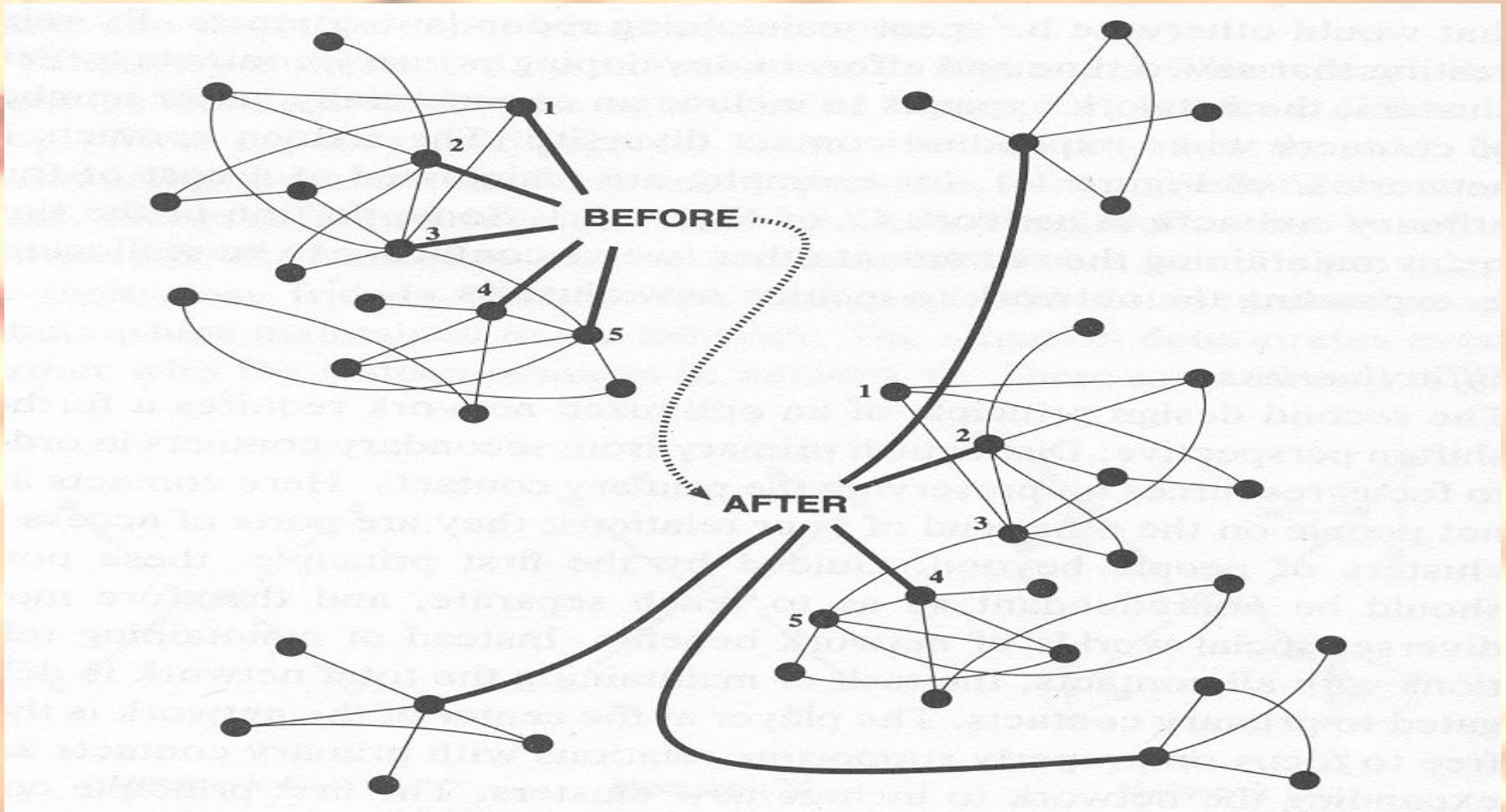
Source: Moreno, 1933

Centrality

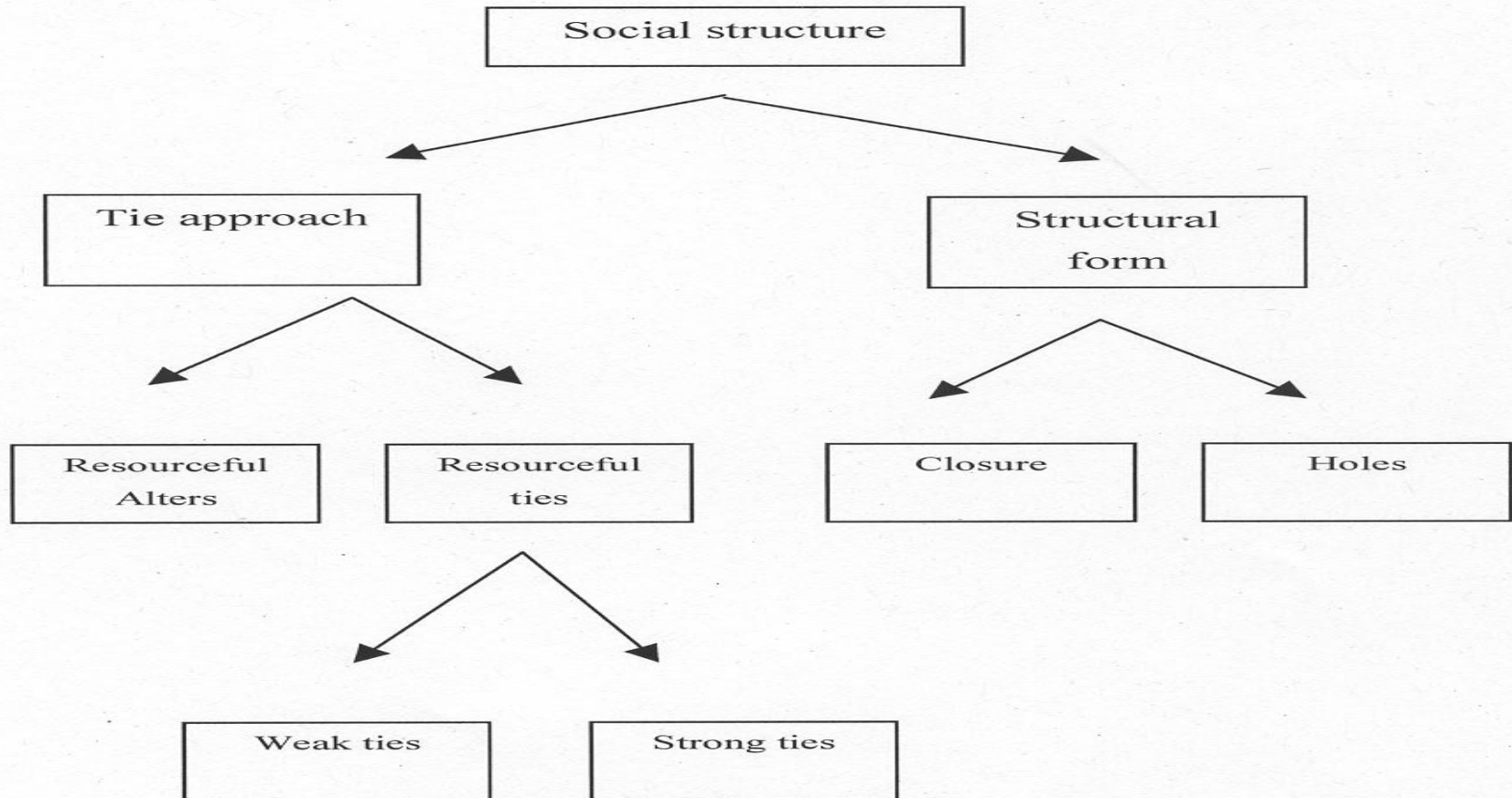


Source: Freeman, 1979

Optimizing for structural holes



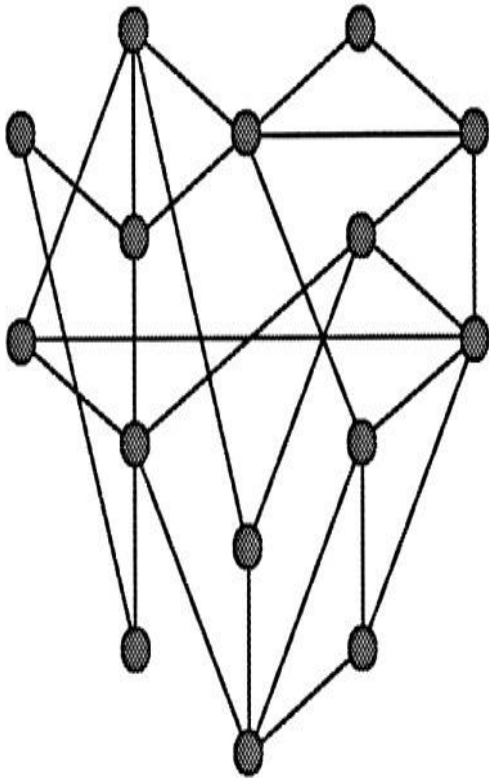
Generic Structures of Social Capital



Scale-free networks

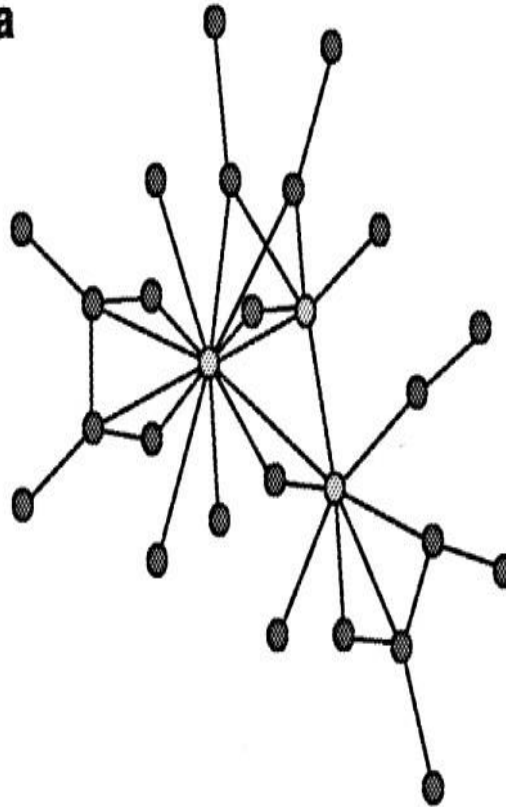
A Random network

Aa



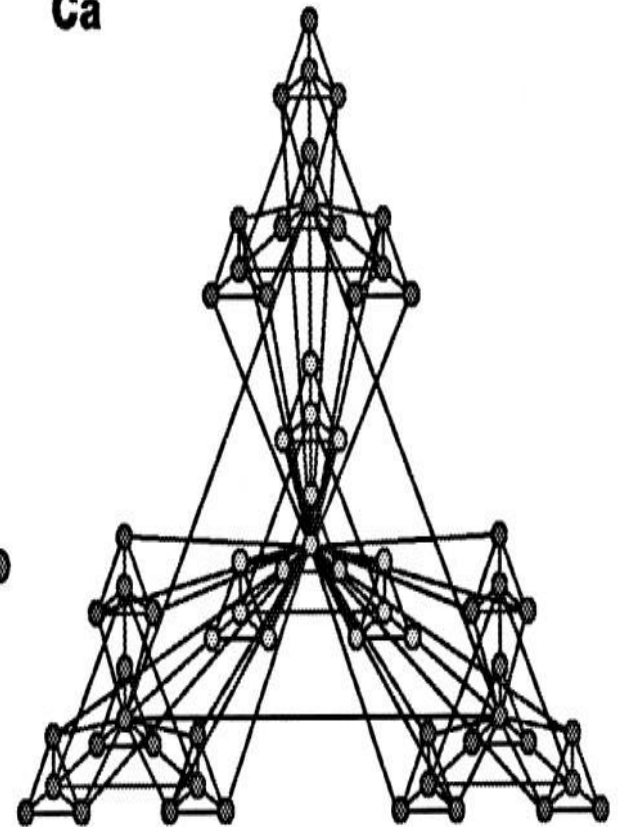
B Scale-free network

Ba

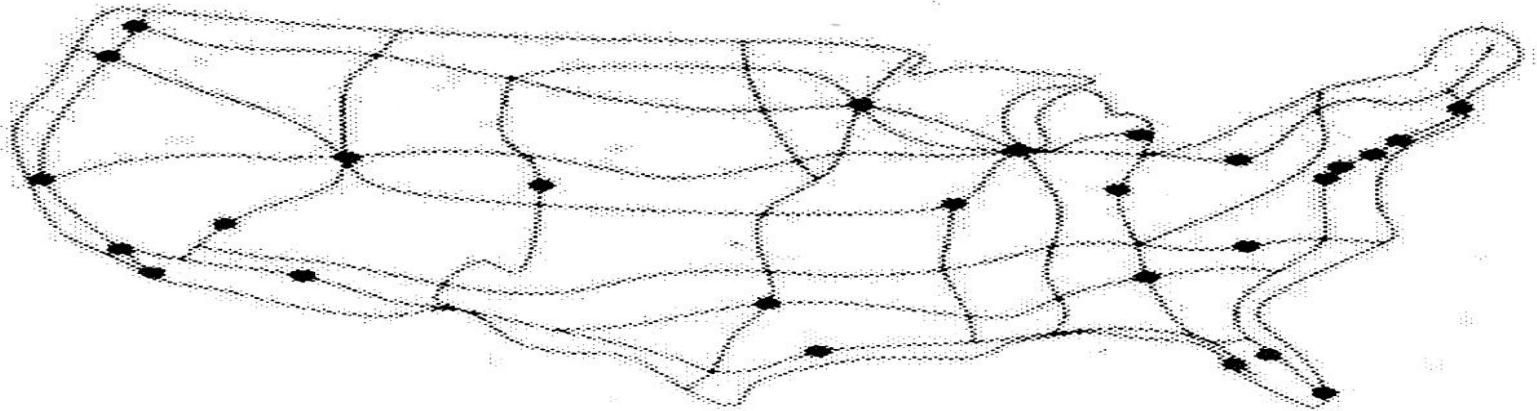
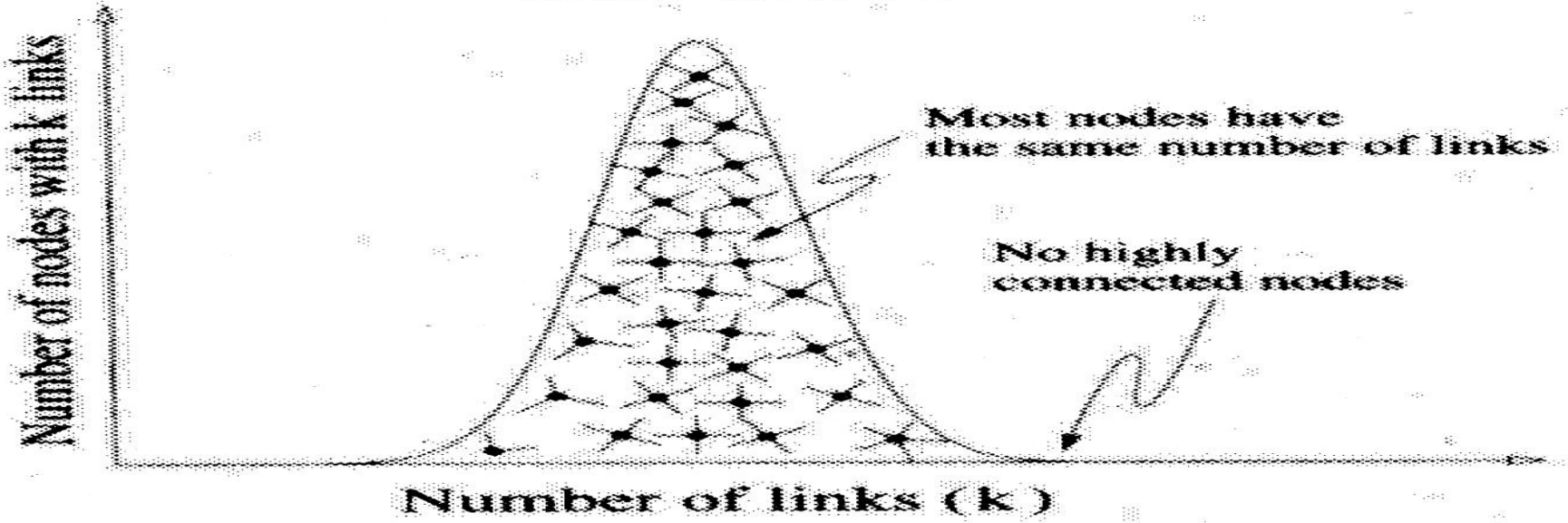


C Hierarchical network

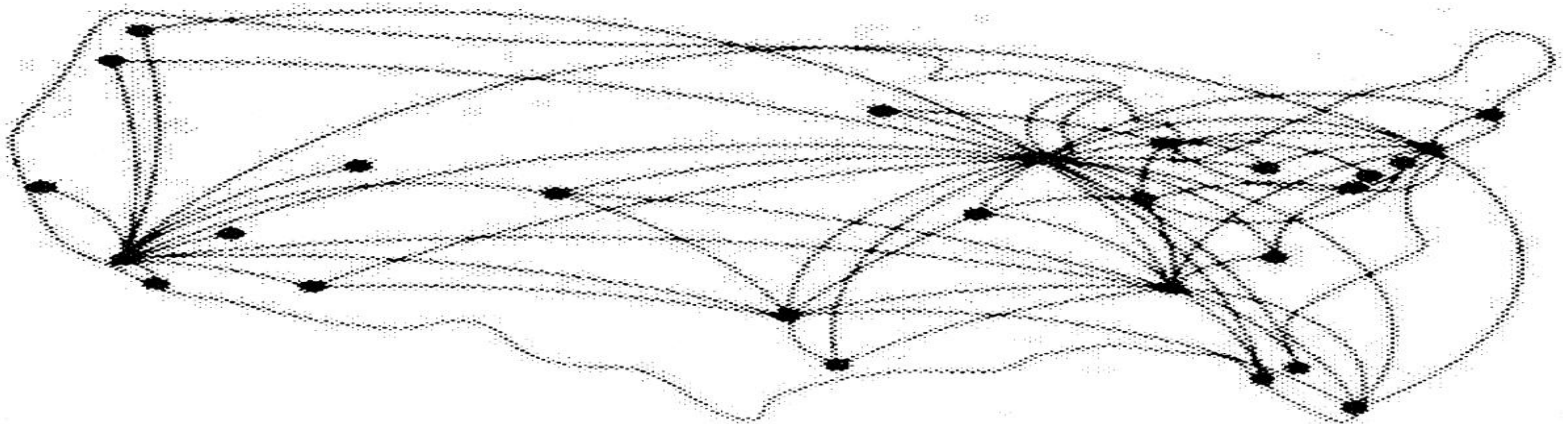
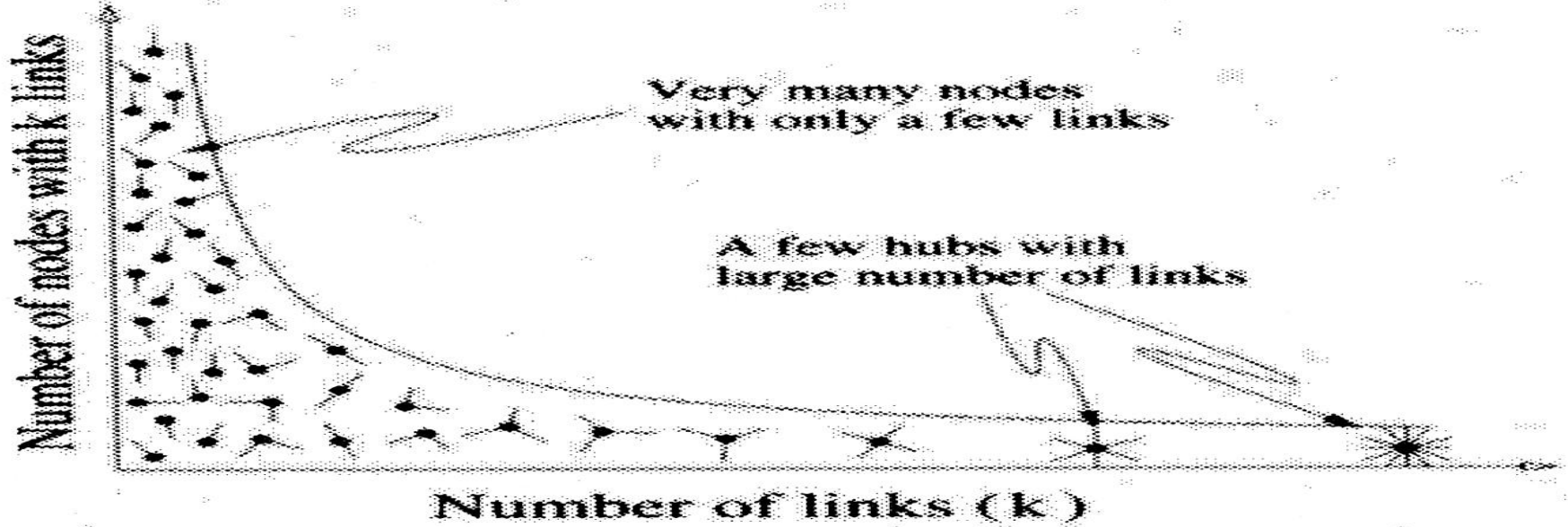
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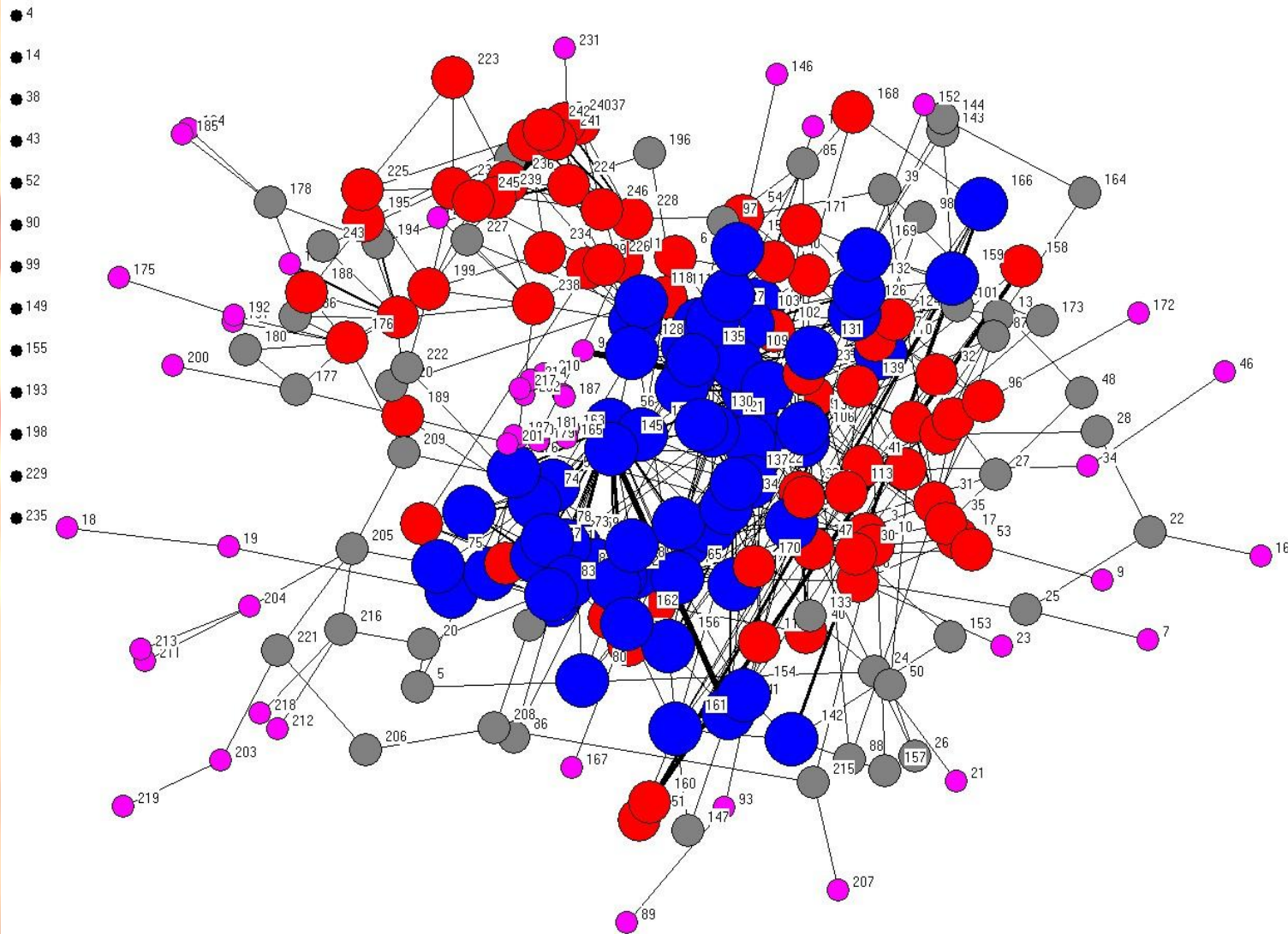


Bell Curve



Power Law Distribution





Source: van Veen, Kratzer, 2010

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Figure 2. *Graph of Russian trade routes in the 12th - 13th centuries.*

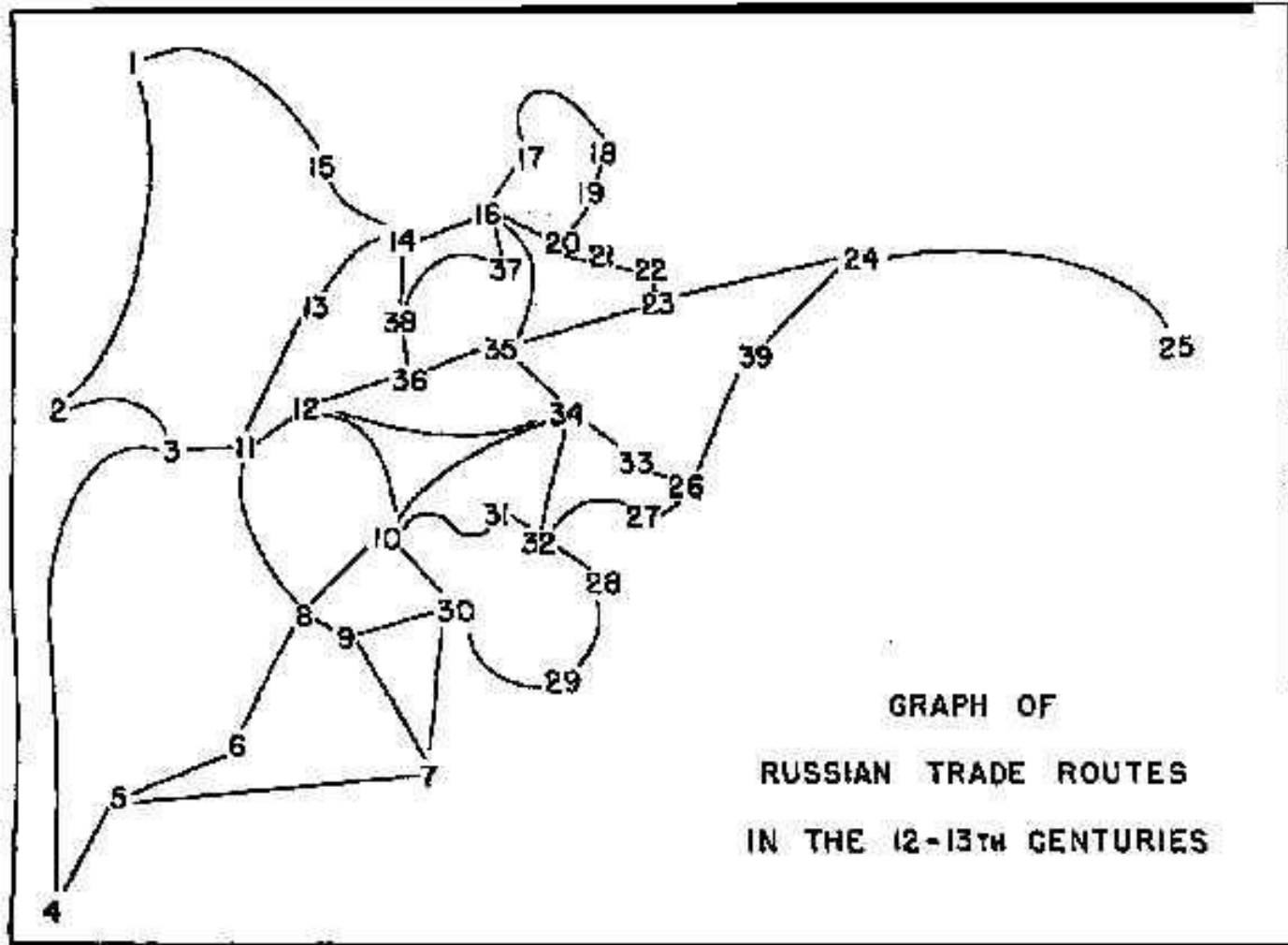
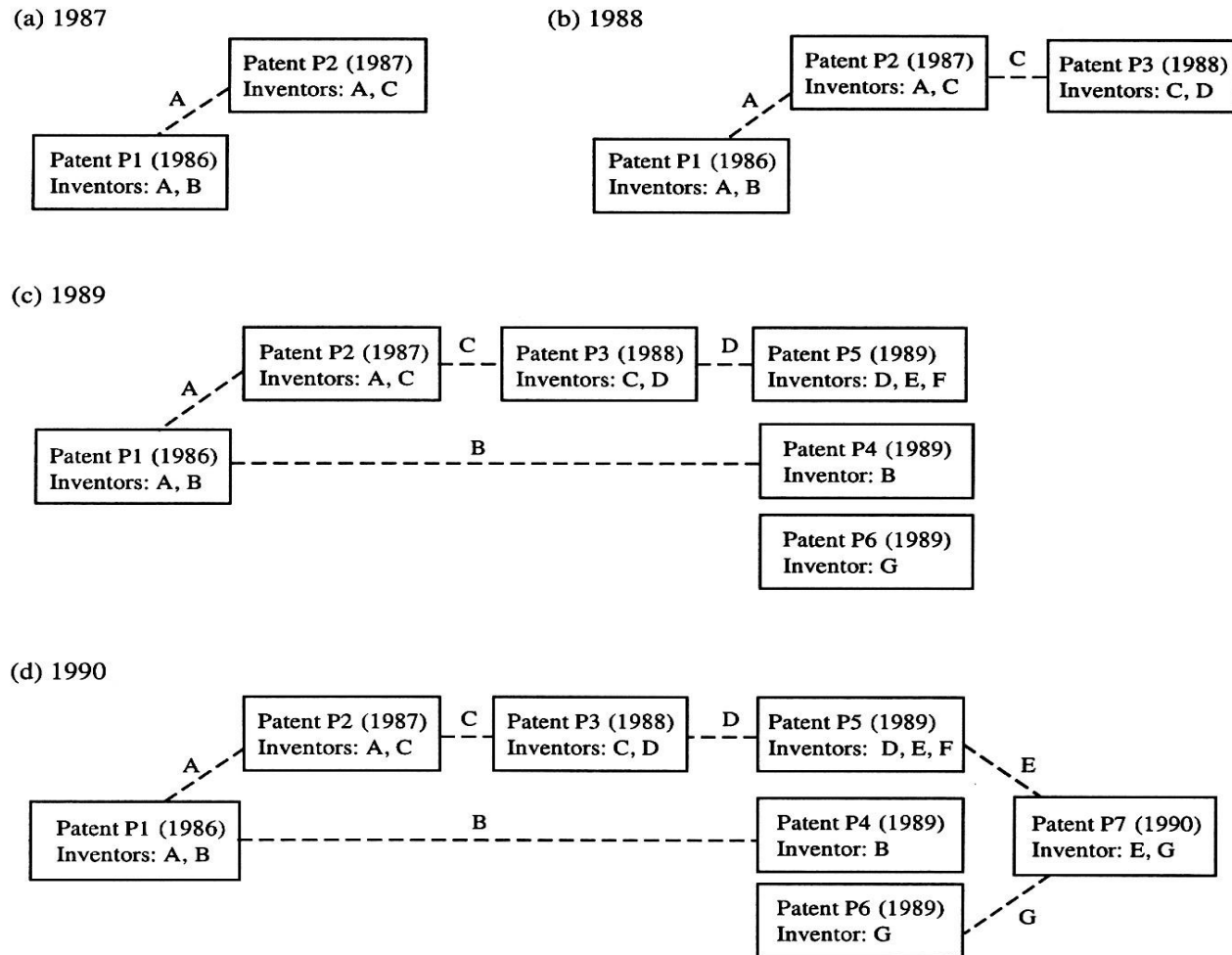


Figure 3 Social Proximity Graphs



© J. Kratzer, London 2010

BOOM AND BUST

Markets become unstable when traders follow the herd

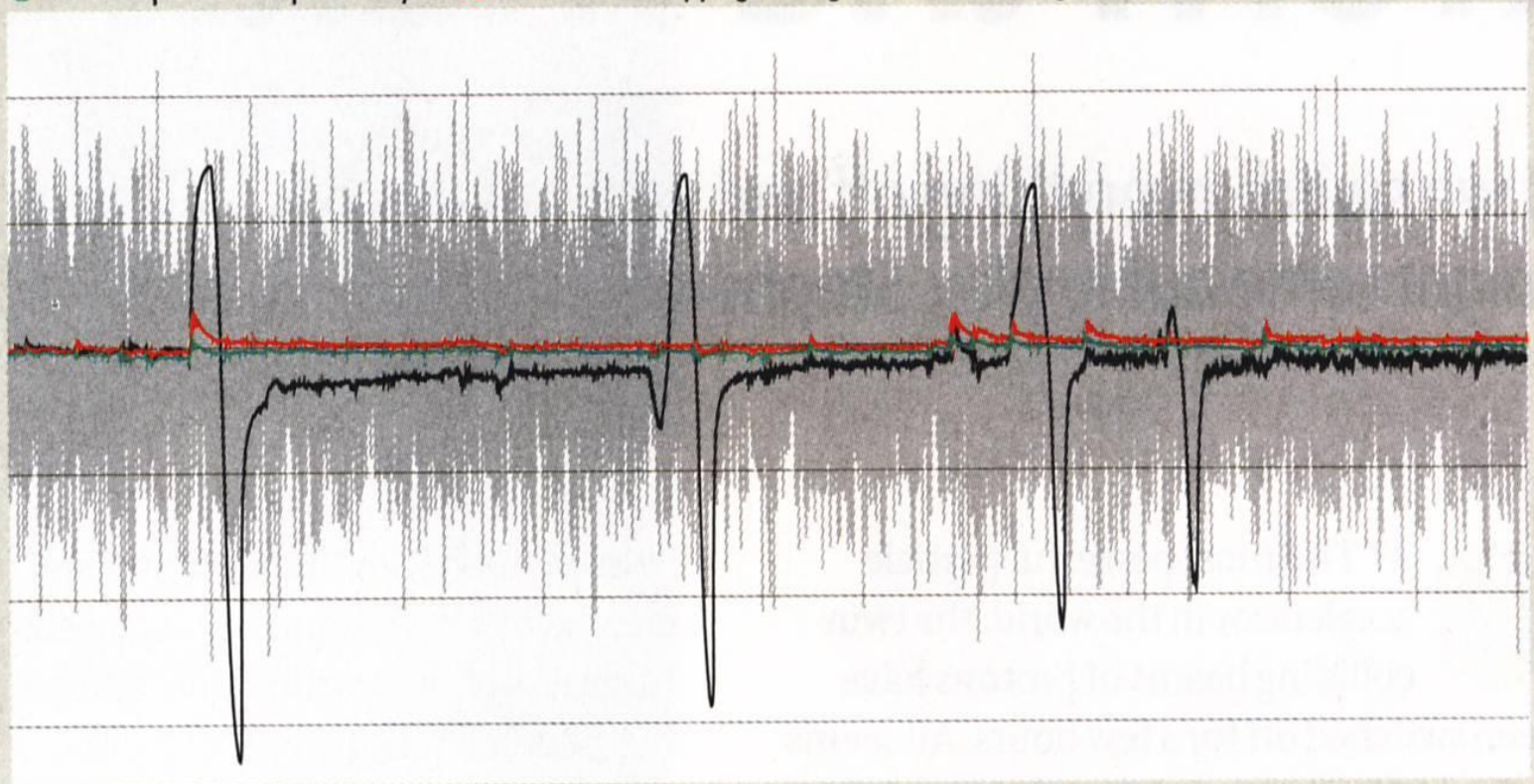
In a mathematical model of market behaviour, a newsfeed of equally positive and negative stories (in grey) has little or no effect on the price of a stock being bought and sold by traders acting independently of one another. Small spikes appear when the traders start to copy each other, and at a certain threshold level of copying these turn into massive bubbles, each followed by a catastrophic crash

- Traders operate independently
- Low level of copying among traders
- High level of copying among traders

Good News

Market
price of
a stock

Bad News



SOURCE: GEORGES HARRAS, DIDIER SORNETTE/ELSEVIER

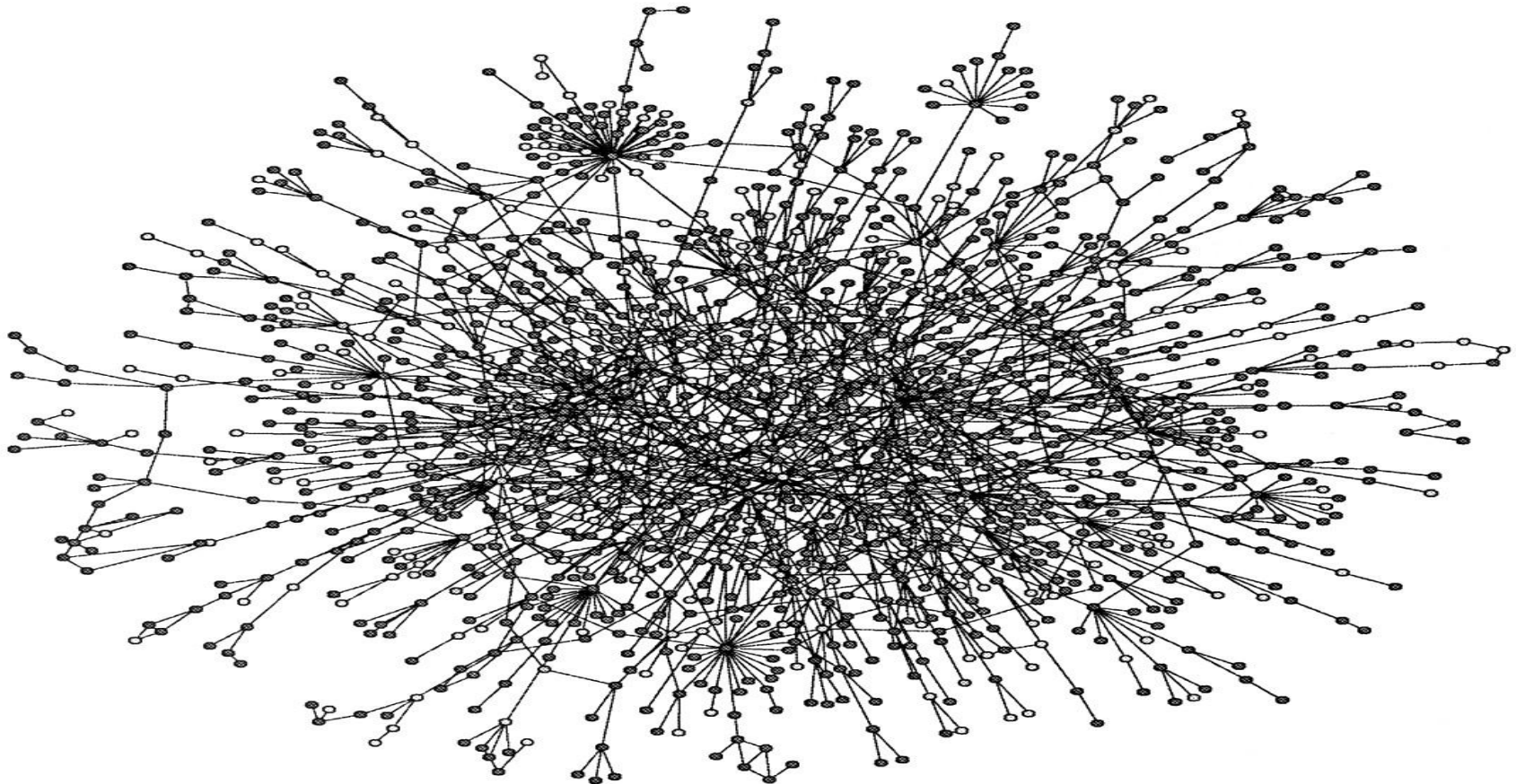
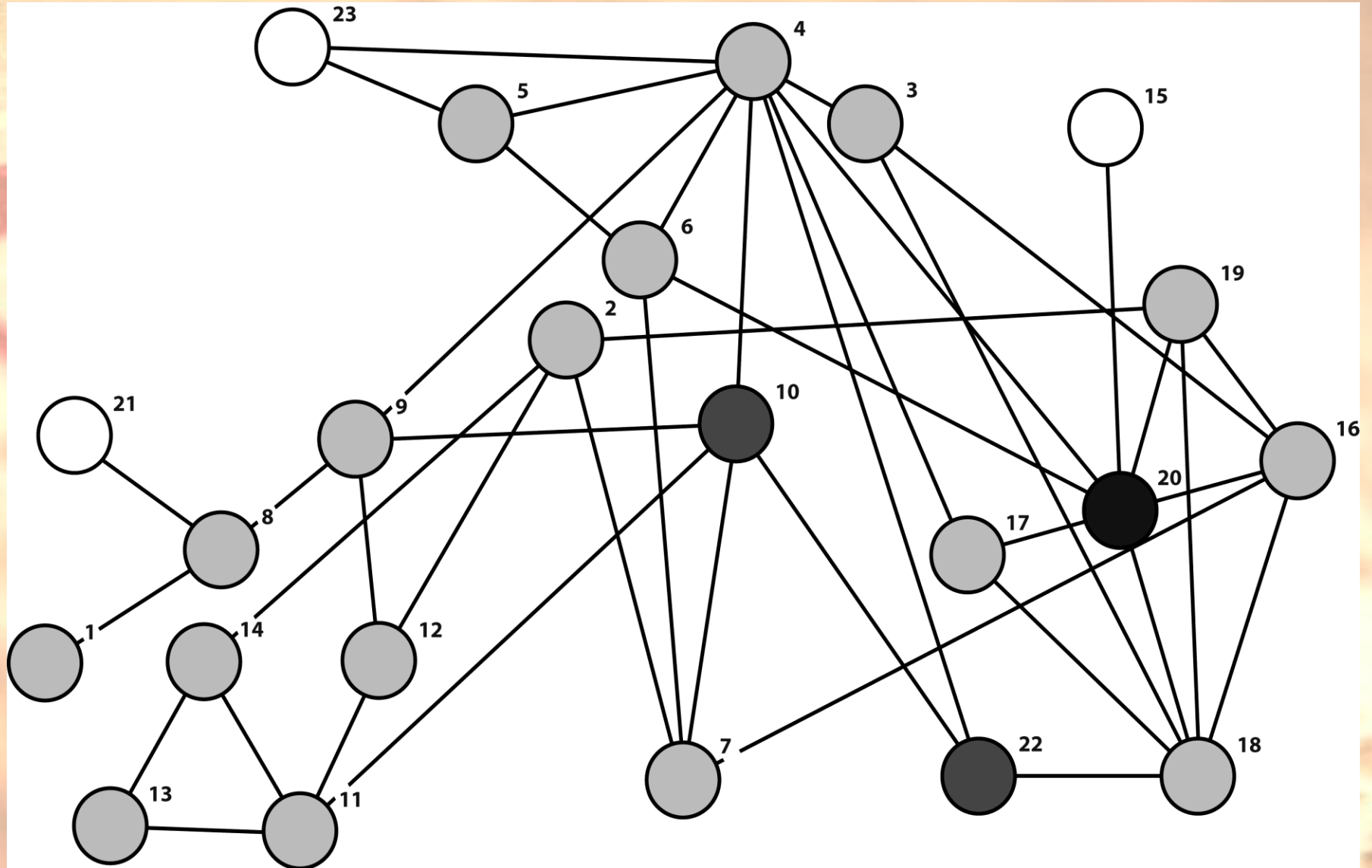
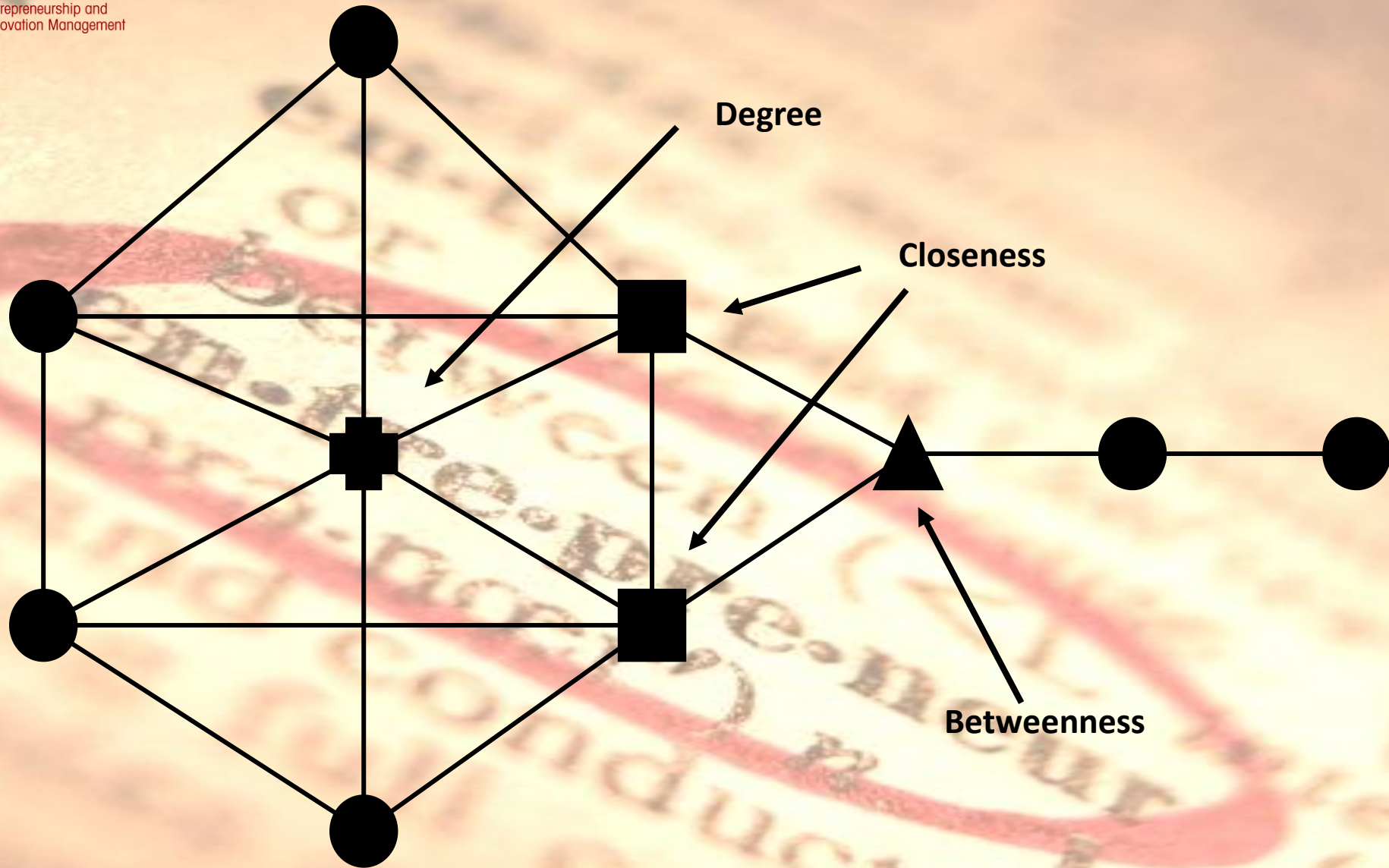


Figure 2 | Yeast protein interaction network. A map of protein–protein interactions¹⁸ in *Saccharomyces cerevisiae*, which is based on early yeast two-hybrid measurements²³, illustrates that a few highly connected nodes (which are also known as hubs) hold the network together. The largest cluster, which contains ~78% of all proteins, is shown. The colour of a node indicates the phenotypic effect of removing the corresponding protein (red = lethal, green = non-lethal, orange = slow growth, yellow = unknown). Reproduced with permission from REF. 18 © Macmillan Magazines Ltd.





Research Samples:

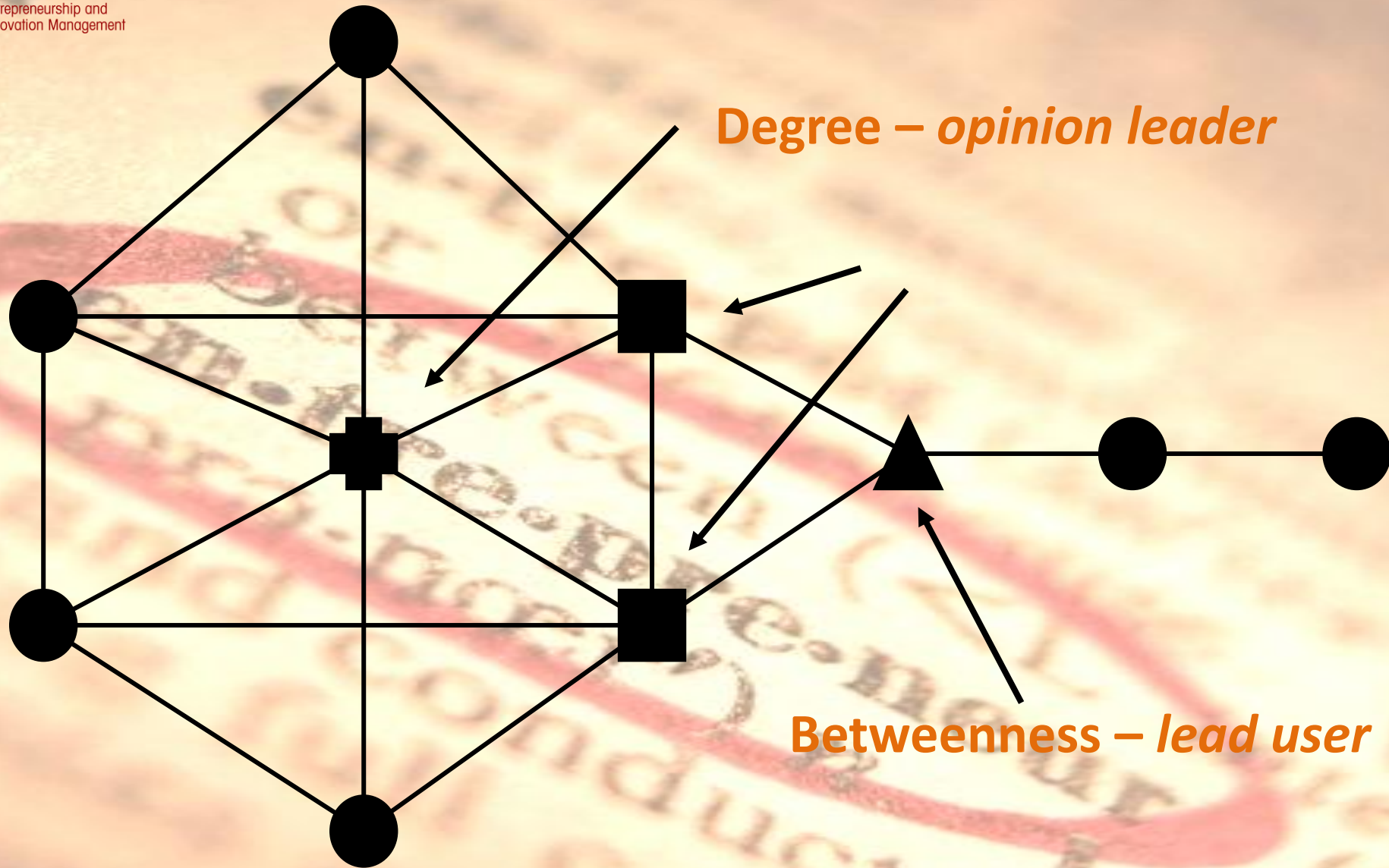
A – iChallenge ,Apple‘ (Austria)

B – Hyves ,Social network‘ (The Netherlands)

C – School Classes – CineKid (The Netherlands)

D – eCommunity ,Deutsche Telekom‘ (Germany)

E – eCommunity ,Airbus‘ (Global)



The Buzz on Buzz

THE 5 MYTHS OF BUZZ

THE MYTH...	...THE REALITY
1 Only outrageous or edgy products are buzz-worthy.	The most unlikely products, like prescription drugs, can generate tremendous buzz.
2 Buzz just happens.	Buzz is increasingly the result of shrewd marketing tactics in which companies seed a vanguard group, ration supplies, use celebrities to generate buzz, leverage the power of lists, and initiate grassroots marketing.
3 The best buzz-starters are your best customers.	Often, a counterculture has a greater ability to start buzz.
4 To profit from buzz, you must act first and fast.	Copycat companies can reap substantial profits if they know when to jump in – and when not to.
5 The media and advertising are needed to create buzz.	When used either too early or too much, the media and advertising can squelch buzz before it ignites.